

ERICSSON LM TELEPHONE CO

Form 6-K

October 24, 2016

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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

October 24, 2016

Commission File Number

000-12033

LM ERICSSON TELEPHONE COMPANY

(Translation of registrant's name into English)

Torshamnsgatan 21, Kista

SE-164 83, Stockholm, Sweden

(Address of principal executive offices)

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

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

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

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENTS ON FORM F-3 (NO. 333-203977) AND ON FORM S-8 (Nos. 333-196453, 333-161683 AND 333-161684) OF TELEFONAKTIEBOLAGET LM ERICSSON (PUBL.) AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS

SUBSEQUENTLY FILED WITH OR FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION.

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SIGNATURES

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

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

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

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

Date: **October 24, 2016**

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THIRD QUARTER

REPORT 2016, AS ADJUSTED FOR INCORPORATION BY REFERENCE

Stockholm, October 21, 2016

THIRD QUARTER HIGHLIGHTS**Read more
(page)**

Reported sales decreased by -14% YoY, mainly driven by segment Networks where reported sales declined by

-19%. 2

The negative industry trends from the first half of 2016 have further accelerated. The main reason is weaker demand for mobile broadband, especially in markets with a weak macro-economic environment. 2

Gross margin declined to 28.3% (33.9%) YoY following lower mobile broadband capacity sales, a higher share of services sales and lower sales in segment Networks. 3

Operating margin decreased to 0.7% (8.6%) YoY, due to lower gross margin and lower sales, partly off-set by lower operating expenses. 4

The current industry trends indicate a somewhat weaker than normal seasonal sales growth between the third and fourth quarters. In addition, a renewed managed services contract in North America, with reduced scope, will impact sales negatively. Current business mix of coverage and capacity sales in mobile broadband is anticipated to prevail in the short term. 2

The cost and efficiency program is tracking towards target. Further short-term actions, mainly to reduce cost of sales, are being implemented in order to adapt operations to weaker mobile broadband demand. 3

Cash flow from operating activities was SEK -2.3 (1.6) b. Operational and structural actions are being taken to improve cash flow in the short and long term. 9

| SEK b. | Q3 2016 | Q3 2015 | YoY change | Q2 2016 | QoQ change | 9 months 2016 | 9 months 2015 |
|-------------------------------------|------------|------------|---------------|------------|---------------|------------------|------------------|
| Net sales | 51.1 | 59.2 | -14% | 54.1 | -6% | 157.4 | 173.4 |
| Gross margin | 28.3% | 33.9% | | 32.3% | | 31.4% | 34.1% |
| Operating income | 0.3 | 5.1 | -93% | 2.8 | -88% | 6.6 | 10.8 |
| Operating margin | 0.7% | 8.6% | | 5.1% | | 4.2% | 6.2% |
| Net income | -0.2 | 3.1 | -106% | 1.6 | -111% | 3.5 | 6.7 |
| EPS diluted, SEK | -0.07 | 0.94 | -107% | 0.48 | -115% | 1.01 | 1.98 |
| Cash flow from operating activities | -2.3 | 1.6 | -249% | -0.7 | 225% | -5.4 | -1.3 |

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CEO COMMENTS

The negative industry trends from the first half of 2016 have further accelerated, impacting Q3 sales, primarily relating to mobile broadband. The decline, in both mobile broadband coverage and capacity sales, was particularly strong in markets with a weak macro-economic environment. In addition, capacity sales in Europe were lower than a year ago. Gross margin declined YoY, following lower mobile broadband capacity sales, a higher share of services sales and lower sales in segment Networks.

Business

In the first half of 2016, a number of important markets, in regions such as Latin America, Middle East and Sub-Saharan Africa, were impacted by a weak macro-economic environment. This negative development accelerated in the third quarter and had a negative effect on both mobile broadband coverage and capacity sales in these markets. In addition, capacity sales in Europe were lower than a year ago. Combined, this led to a significant deviation from what the company expected and communicated in conjunction with the Q2 report, and resulted in early announcement of preliminary sales and margins for the third quarter on October 12, 2016.

Reported sales declined by -14% YoY and sales were particularly weak at the end of the quarter. This shows an acceleration of the negative sales trends compared with the second quarter. The decline was driven by segment Networks where the reported sales decline worsened from -14% in Q2 to -19% in Q3.

As anticipated, sales in North America declined, mainly due to lower sales in Professional Services. In addition, one customer continued to reduce their investments in mobile broadband. Sales in Mainland China declined by -7% YoY mainly due to lower 3G sales, while 4G deployments continued on a high level. In India the delayed spectrum auctions led to another slow quarter. The transition from 3G to 4G continued to contribute to sales growth in region South East Asia and Oceania.

Sales in the targeted growth areas showed resilience and grew by 3% YoY, driven by Cloud, IP and services related to OSS and BSS. In total, the targeted growth areas now account for 21% of group sales. The strategic partnership with Cisco has to date generated more than 60 deals.

The current industry trends indicate a somewhat weaker than normal seasonal sales growth between the third and fourth quarters. In addition a renewed managed services contract in North America, with reduced scope, will impact sales negatively. The current business mix of coverage and capacity sales in mobile broadband is anticipated to prevail in the short term.

Profitability

Operating income declined to SEK 0.3 (5.1) b. following lower sales in segment Networks and a lower gross margin. The positive

effect of the cost and efficiency program did not offset the sharp decline in gross income.

Gross margin declined to 28% (34%) following lower mobile broadband capacity sales, a higher share of services sales and lower sales in segment Networks.

IPR licensing revenues declined YoY and declined slightly QoQ. The IPR revenues in the quarter represent the current licensing contract portfolio.

Cost reductions to secure resilience and competitiveness

The cost and efficiency program was first initiated in November 2014 and then expanded in the second quarter of 2016. We are taking action in all dimensions of the program. Actions in the quarter included headcount reduction activities which were announced and initiated in Sweden, the US, Finland, Spain and the UK.

We will implement further short-term actions mainly to reduce cost of sales, in order to adapt our operations to weaker mobile broadband demand.

Cash flow

Cash flow from operating activities was SEK -2.3 b. in the quarter, mainly due to lower trade payables following lower demand. As cash flow is volatile between quarters it should be viewed on a full-year basis. We are taking operational and structural actions to improve cash flow both in the short and long term.

Strategy execution

Ericsson is in the middle of a significant company transformation. In addition, the rapid technology development, different and new customer requirements, as well as the convergence of IT, Media and Telecom, are posing both challenges and opportunities. Focus is on speed and fine-tuning of execution, supported by the new company structure which is designed for efficiency and effectiveness.

In short, the strategy builds on three key elements; efficiency and scale of our core business, investments in new revenue base and strong cash flow generation. Combined this will enable us to secure leadership also in the emerging broader 5G market from technology to new business models and services enabling us to be a strong business partner to existing and new customers.

Jan Frykhammar

President and CEO

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FINANCIAL HIGHLIGHTS

| SEK b. | Q3 2016 | Q3 2015 | YoY change | Q2 2016 | QoQ change | 9 months 2016 | 9 months 2015 |
|-------------------------------------|------------|------------|---------------|------------|---------------|------------------|------------------|
| Net sales | 51.1 | 59.2 | -14% | 54.1 | -6% | 157.4 | 173.4 |
| <i>Of which Networks</i> | 23.3 | 28.8 | -19% | 26.8 | -13% | 75.9 | 86.4 |
| <i>Of which Global Services</i> | 24.8 | 27.1 | -8% | 24.5 | 1% | 72.3 | 77.3 |
| <i>Of which Support Solutions</i> | 2.9 | 3.3 | -11% | 2.9 | 2% | 9.2 | 9.5 |
| <i>Of which Modems</i> | | | | | | | 0.1 |
| Gross income | 14.5 | 20.1 | -28% | 17.5 | -17% | 49.3 | 59.2 |
| Gross margin (%) | 28.3% | 33.9% | | 32.3% | | 31.4% | 34.1% |
| Research and development expenses | -7.9 | -8.5 | -8% | -7.4 | 6% | -22.7 | -26.9 |
| Selling and administrative expenses | -6.2 | -6.4 | -2% | -7.1 | -12% | -20.1 | -21.3 |
| Other operating income and expenses | 0.0 | 0.1 | -104% | -0.2 | -99% | 0.0 | -0.1 |
| Operating income | 0.3 | 5.1 | -93% | 2.8 | -88% | 6.6 | 10.8 |
| Operating margin | 0.7% | 8.6% | | 5.1% | | 4.2% | 6.2% |
| <i>for Networks</i> | -1% | 10% | | 6% | | 5% | 7% |
| <i>for Global Services</i> | 4% | 9% | | 6% | | 4% | 7% |
| <i>for Support Solutions</i> | -12% | 0% | | -15% | | -6% | -2% |
| <i>for Modems</i> | | | | | | | |
| Financial net | -0.6 | -0.6 | -4% | -0.5 | 13% | -1.6 | -1.2 |
| Taxes | 0.1 | -1.3 | -106% | -0.7 | -111% | -1.5 | -2.9 |
| Net income | -0.2 | 3.1 | -106% | 1.6 | -111% | 3.5 | 6.7 |
| <i>Restructuring charges</i> | -1.3 | -1.0 | 29% | -1.0 | 24% | -2.9 | -4.3 |

THIRD QUARTER COMMENTS**Net sales**

Sales as reported decreased by -14% YoY, with a decline in all segments.

The negative trends from the first half of 2016 accelerated in the quarter, impacting primarily Segment Networks.

The sales decline in Networks was driven mainly by markets with a weak macro-economic environment, impacting both mobile broadband coverage and capacity sales in these markets. Sales in Europe continued to decline YoY, following completion of mobile broadband projects in 2015 and lower capacity sales. Sales in India contributed to the decline following the delayed spectrum auctions which have delayed investments for several quarters. Sales in Mainland China declined YoY due to lower 3G sales, while 4G deployments continued on a high level and sales of core networks increased. Sales in North America declined slightly YoY mainly related to one customer that continued to reduce their investments in mobile broadband.

Sales in Global Services declined by -8% YoY. Professional Services sales declined, partly due to lower sales in markets with a weak macro-economic environment and continued decline in CDMA sales. Managed Services sales declined YoY, partly due to lower sales in North America. As already announced, a major managed services contract has been renewed, with reduced scope. This will impact Managed Services sales negatively also going forward.

Network Rollout sales continued to decline YoY, due to lower mobile broadband demand.

In Support Solutions, sales decreased -11% YoY due to lower sales in OSS and BSS. This was partly due to lower software sales in digital transformation projects, in which sales are mainly milestone based. In addition, sales were lower than a year ago in markets with a weak macro-economic environment.

Sales declined QoQ due to lower sales in Networks, particularly in Europe and in markets with a weak macro-economic environment.

IPR licensing revenues declined YoY and declined slightly QoQ. The IPR revenues in the quarter represent the current IPR licensing contract portfolio.

Gross margin

Gross margin declined YoY and QoQ following lower mobile broadband capacity sales, higher share of services sales and lower sales in segment Networks.

Cost and efficiency program and restructuring charges

The cost and efficiency program is tracking towards target. Headcount reductions were announced and initiated in Sweden, the US, Spain, Finland and the UK in the quarter.

The company will implement further short-term actions mainly to reduce cost of sales, in order to adapt operations to weaker mobile broadband demand.

The estimate for total restructuring charges in 2016 remains at SEK 4-5 b. The high pace of restructuring activities is anticipated to continue in 2017.

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Operating expenses

Operating expenses decreased YoY, mainly due to savings related to the cost and efficiency program. Operating expenses decreased QoQ following lower SG&A expenses. However, R&D expenses increased QoQ, following lower capitalization of development expenses and increased related depreciations, as more products reached general availability.

Other operating income and expenses

Other operating income and expenses were stable YoY. The revaluation and realization effects of currency hedge contracts were SEK -0.2 (-0.3) b. This is to be compared with SEK -0.5 b. in Q2, 2016.

The main part of the currency hedge contract balance is in USD. The SEK weakened further against the USD between June 30, 2016 (SEK/USD rate 8.45) and Sep 30, 2016 (SEK/USD rate 8.62).

Operating income

Operating income decreased YoY, due to lower gross margin, lower sales and higher restructuring charges. The decrease in operating income was partly offset by lower operating expenses.

Operating income decreased QoQ due to lower gross margin, lower sales and higher restructuring charges. The decrease in operating income was partly offset by lower operating expenses and a smaller negative effect from valuation of currency hedge contracts.

Financial net

The negative financial net was stable both YoY and QoQ.

Taxes

The tax cost in the quarter was slightly positive.

Net income and EPS

Net income and EPS diluted decreased YoY and QoQ, following the low operating income. EPS diluted was SEK -0.07 (0.94).

Employees

The number of employees on Sep 30, 2016 was 113,797 compared with 116,507 on June 30, 2016. The decrease was mainly a result of headcount reductions as part of the cost and efficiency program and a consequence of a reduced managed services contract in North America.

Modems

The discontinuation of the modems business was completed in Q3 2015.

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REGIONAL SALES

| SEK b. | Third quarter 2016 | | | Total | Change | |
|----------------------------------|--------------------|-------------|------------|-------------|-------------|------------|
| | Global | Support | | | YoY | QoQ |
| | Networks | Services | Solutions | | | |
| North America | 6.1 | 6.3 | 0.8 | 13.2 | -8% | -2% |
| Latin America | 1.8 | 2.4 | 0.1 | 4.4 | -22% | -4% |
| Northern Europe and Central Asia | 1.1 | 0.9 | 0.1 | 2.0 | -19% | -2% |
| Western and Central Europe | 1.1 | 2.4 | 0.1 | 3.6 | -21% | -20% |
| Mediterranean | 1.5 | 2.9 | 0.2 | 4.5 | -17% | -16% |
| Middle East | 1.6 | 2.4 | 0.3 | 4.3 | -25% | -13% |
| Sub-Saharan Africa | 0.9 | 1.0 | 0.1 | 2.0 | -25% | -13% |
| India | 1.4 | 1.1 | 0.1 | 2.6 | -28% | 7% |
| North East Asia | 3.9 | 2.0 | 0.3 | 6.1 | -4% | 1% |
| South East Asia and Oceania | 2.3 | 2.7 | 0.1 | 5.1 | 6% | -4% |
| Other ¹⁾ | 1.7 | 0.7 | 0.8 | 3.3 | -8% | 2% |
| Total | 23.3 | 24.8 | 2.9 | 51.1 | -14% | -6% |

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

North America

As anticipated, sales in North America declined, mainly due to lower sales in Professional Services. In the quarter a major managed services contract was renewed with reduced scope. In addition one customer continued to reduce their investments in mobile broadband. There is continued high focus on network and IT transformation. 5G trials are ongoing with all major customers.

Latin America

Sales continued to decline YoY as operators reduced mobile broadband investments due to the recession in the region. Despite the challenging macro-economic environment, operators continue to invest in OSS and BSS transformation and network efficiency.

Northern Europe and Central Asia

Sales decreased YoY as Networks sales were impacted by lower investments in mobile broadband infrastructure in Russia. Operators are investing in ICT transformation, creating demand for OSS and BSS.

Western and Central Europe

Sales declined, following completion of mobile broadband projects in 2015 and lower capacity sales. Operators continue to focus on transforming their networks to meet the increased demand for data consumption and quality improvement.

Mediterranean

Sales declined due to lower investments in mobile broadband infrastructure, mainly related to capacity business. There was positive development in Managed Services and investments are being made in OSS and BSS transformation.

Middle East

Sales declined YoY following a sharp decline in Networks sales due to lower mobile broadband investments. This was driven by macro-economic challenges, mainly in countries with high exposure to low oil prices.

Sub-Saharan Africa

Sales declined mainly due to lower investment levels in some big countries impacted by low oil prices and a weak macro-economic environment.

India

The pending spectrum auctions, which closed early October, negatively impacted mobile broadband investments in the quarter. Professional Services continued to be stable.

North East Asia

Sales declined YoY. In Mainland China, 4G deployments continued on a high level and sales of core networks increased, while 3G sales declined. In Korea and Japan, investments continued on low levels as the initial 4G networks were built with high density as well as good capacity.

South East Asia and Oceania

Sales growth YoY was primarily driven by mobile broadband investments in Indonesia and Malaysia. Professional Services developed favorably, mainly driven by Managed Services.

Other

IPR licensing revenues were down YoY and declined slightly QoQ.

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SEGMENT RESULTS

NETWORKS

| SEK b. | Q3 2016 | Q3 2015 | YoY change | Q2 2016 | QoQ change | 9 months 2016 | 9 months 2015 |
|------------------------------|------------|------------|---------------|------------|---------------|------------------|------------------|
| Net sales | 23.3 | 28.8 | -19% | 26.8 | -13% | 75.9 | 86.4 |
| Operating income | -0.3 | 2.8 | -109% | 1.6 | -116% | 4.1 | 5.8 |
| Operating margin | -1% | 10% | | 6% | | 5% | 7% |
| <i>Restructuring charges</i> | -0.6 | -0.6 | 8% | -0.6 | 0% | -1.5 | -2.6 |

Net sales

Sales as reported decreased by -19% YoY mainly due to lower sales of mobile broadband. Sales of core networks and IP increased slightly YoY.

The negative industry trends from the first half of 2016, with weaker demand for mobile broadband in markets with a weak macro-economic environment, accelerated further, impacting both coverage and capacity sales in these markets. In addition, mobile broadband capacity sales in Europe were lower than a year ago. Sales in India contributed to the decline following the delayed spectrum auctions which have delayed investments for several quarters. Sales in Mainland China declined YoY due to lower 3G sales, while 4G deployments continued on a high level and sales of core networks increased. Sales in North America declined slightly YoY mainly relating to one customer that continued to reduce their investments in mobile broadband.

Sales decreased QoQ, mainly due to lower sales in Europe and in markets with a weak macro-economic environment. Sales also decreased in South-East Asia and Oceania, where large deliveries in coverage projects were made in Q2.

The Ericsson Radio System (ERS) represented close to 10% of total deliveries of radio units year-to-date. The full-year 2017 estimate for the ERS share of total deliveries is approximately 50%, with a gradual increase during the year. The world's first commercial 5G New Radio (NR) unit was launched by Ericsson in the quarter, ready to be shipped as from the second half of 2017.

Operating income and margin

Operating income and margin decreased YoY, mainly due to lower sales and a lower share of mobile broadband capacity sales. This was partly offset by significantly lower operating expenses, mainly as an effect of the ongoing cost and efficiency program.

Operating income and margin decreased QoQ mainly due to lower sales and a lower share of mobile broadband capacity sales. This was partly offset by lower operating expenses and a lower negative effect of revaluation of currency hedge contracts.

The effects of revaluation and realization of currency hedge contracts were negative at SEK -0.2 (-0.2) b. in the quarter. In Q2, 2016, these effects of currency hedge contracts were negative at SEK -0.4 b.

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| SEK b. | Q3 2016 | Q3 2015 | YoY change | Q2 2016 | QoQ change | 9 months 2016 | 9 months 2015 |
|---------------------------------------|------------|------------|---------------|------------|---------------|------------------|------------------|
| Net sales | 24.8 | 27.1 | -8% | 24.5 | 1% | 72.3 | 77.3 |
| <i>Of which Professional Services</i> | 18.7 | 20.5 | -9% | 18.7 | 0% | 55.3 | 58.7 |
| <i>Of which Managed Services</i> | 7.2 | 8.0 | -10% | 7.3 | -2% | 21.8 | 23.6 |
| <i>Of which Network Rollout</i> | 6.1 | 6.5 | -7% | 5.8 | 4% | 17.0 | 18.7 |
| Operating income | 1.0 | 2.4 | -58% | 1.5 | -33% | 3.1 | 5.7 |
| <i>Of which Professional Services</i> | 1.4 | 2.4 | -41% | 1.7 | -16% | 4.4 | 6.9 |
| <i>Of which Network Rollout</i> | -0.4 | 0.0 | | -0.2 | 113% | -1.2 | -1.2 |
| Operating margin | 4% | 9% | | 6% | | 4% | 7% |
| <i>for Professional Services</i> | 7% | 12% | | 9% | | 8% | 12% |
| <i>for Network Rollout</i> | -7% | 0% | | -3% | | -7% | -6% |
| <i>Restructuring charges</i> | -0.6 | -0.4 | 67% | -0.3 | 73% | -1.3 | -1.5 |

Net sales

Sales as reported declined by -8% YoY. Professional Services sales declined, partly due to lower sales in markets with a weak macro-economic environment and continued decline in CDMA sales. Managed Services sales declined YoY and remained stable QoQ. The YoY reduction was partly due to lower sales in North America. As already announced, a major managed services contract has been renewed, with reduced scope. This will impact Managed Services sales negatively going forward. Network Rollout sales continued to decline YoY, due to lower mobile broadband demand.

Sales increased by 1% QoQ, with increased Network Rollout activities in South East Asia.

Operating income and margin

Operating income decreased YoY in Global Services, with lower profitability in Professional Services as well as in Network Rollout.

Network Rollout operating margin declined YoY and QoQ, partly due to increased cost in a few specific projects in emerging markets. Activities continued in order to adapt the service delivery operations to current mobile broadband project volumes.

| | Q3 2016 | Q2 2016 | Q1 2016 | Full year 2015 |
|---|------------|------------|------------|-------------------|
| Number of signed Managed Services contracts | 15 | 20 | 21 | 101 |
| Number of signed significant consulting & systems integration contracts ¹⁾ | 19 | 18 | 13 | 66 |

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

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| SEK b. | Q3 2016 | Q3 2015 | YoY change | Q2 2016 | QoQ change | 9 months 2016 | 9 months 2015 |
|------------------------------|------------|------------|---------------|------------|---------------|------------------|------------------|
| Net sales | 2.9 | 3.3 | -11% | 2.9 | 2% | 9.2 | 9.5 |
| Operating income | -0.4 | 0.0 | | -0.4 | -17% | -0.5 | -0.2 |
| Operating margin | -12% | 0% | | -15% | | -6% | -2% |
| <i>Restructuring charges</i> | 0.0 | 0.0 | -5% | -0.1 | -49% | -0.1 | -0.3 |

Net sales

Sales as reported decreased -11% YoY due to lower sales in OSS and BSS, partly because of lower software sales in digital transformation projects where sales are mainly project milestone based. In addition, sales in markets with a weak macro-economic environment were lower than a year ago. The overall transition of business models continues, from traditional telecom software licenses to recurrent license revenue deals.

Sales in TV & Media declined slightly YoY. In conjunction with IBC (International Broadcasting Convention) in September several announcements were made, including a partnership with Google to extend the reach of the Ericsson cloud-based MediaFirst TV platform into the Android TV ecosystem.

Sales were stable QoQ.

Operating income and margin

Operating income and margin declined YoY, mainly due to lower OSS and BSS software sales and lower IPR licensing revenues.

Operating income improved slightly QoQ.

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CASH FLOW

| SEK b. | Q3 2016 | Q3 2015 | Q2 2016 |
|--|-------------|------------|-------------|
| Net income reconciled to cash | 1.5 | 6.8 | 1.3 |
| Changes in operating net assets | -3.8 | -5.2 | -2.0 |
| Cash flow from operating activities | -2.3 | 1.6 | -0.7 |
| Cash flow from investing activities | -2.0 | -0.1 | 1.4 |
| Cash flow from financing activities | -1.5 | -0.3 | -9.3 |
| Net change in cash and cash equivalents | -4.5 | 1.0 | -7.0 |

Cash flow from operating activities was SEK -2.3 (1.6) b. The decline was mainly due to decreased trade payables and decreased advances from customers. Trade payables declined following adaption in production, to meet lower demand for mobile broadband. Inventory decreased but remained at a high level.

Year to date, cash flow from operating activities was SEK -5.4 (-1.3) b.

Cash outlays related to restructuring charges were SEK -0.5 (-1.1) b. in the quarter.

Cash flow from investing activities was impacted by investments in property, plant and equipment of SEK -1.3 b., mainly due to continued investments in Global ICT centers. The capital expenditure level will decline as the investments in the Global ICT centers peaked last year.

Development expenses of SEK -0.9 b. were capitalized. No acquisitions were made in the quarter.

Cash flow from financing activities amounted to SEK -1.5 b. mainly as a result of decreased external borrowings.

As cash flow is volatile between quarters it should be viewed on a full-year basis. We are taking operational and structural actions to improve cash flow both in the short and long term. Net cash at the end of the quarter was SEK 16.3 b.

| Working capital KPIs, number of days | Jan-Sep 2016 | Jan-Jun 2016 | Jan-Mar 2016 | Jan-Dec 2015 | Jan-Sep 2015 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sales outstanding (target: <90) | 122 | 115 | 108 | 87 | 113 |
| Inventory (target: <65) | 79 | 81 | 80 | 64 | 72 |
| Payable (target: >60) | 56 | 59 | 58 | 53 | 55 |

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FINANCIAL POSITION

| | Sep 30 2016 | Sep 30 2015 | Jun 30 2016 |
|--|-------------------|-------------------|----------------|
| SEK b. | | | |
| + Cash and cash equivalents | 24.4 | 34.0 | 28.9 |
| + Interest-bearing securities, current | 18.7 | 17.6 | 19.8 |
| + Interest-bearing securities, non-current | 0.5 | | |
| Equity | 134.0 | 138.0 | 136.7 |
| Total assets | 275.7 | 278.4 | 277.4 |

Post-employment benefits were SEK 32.5 b., compared with SEK 27.3 b. on June 30, 2016, following lower discount rates.

The average maturity of long-term borrowings as of Sep 30, 2016, was 4.0 years, compared with 5.0 years 12 months earlier.

Debt maturity profile, Parent Company

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OTHER INFORMATION

Ericsson s Vestberg stepped down - search for new CEO initiated

On July 25, 2016, Ericsson s Board of Directors announced that Hans Vestberg stepped down as President and CEO and member of the Board of Directors of Ericsson with immediate effect. Effective immediately Jan Frykhammar, Executive Vice President and CFO, stepped into the position as President and CEO until the now initiated recruitment search is concluded. As customary, the search process will comprise both internal and external candidates.

Carl Mellander, currently VP & Group Treasurer, was appointed acting CFO with immediate effect.

Ericsson appointed Ulf Ewaldsson as head of strategy and technology

Effective September 20, 2016, Ulf Ewaldsson was appointed Senior Vice President, Chief Strategy and Technology Officer and Head of Group Function Strategy and Technology at Ericsson. Rima Qureshi was appointed Head of Region North America July 1, 2016, and has since held dual roles. Both Ewaldsson and Qureshi will continue to be Executive Leadership Team members and report to Ericsson s CEO.

Ericsson announced change in Executive leadership team

On September 30, 2016, Ericsson announced it will move the position as Chief HR Officer to Sweden and that Bina Chaurasia, based in California, therefore will resign from her role as Senior Vice President and Chief HR Officer, effective November 15, 2016.

Effective November 15, 2016, Maj-Britt Arfert has been appointed acting Chief HR Officer while the search for a successor is underway.

POST-CLOSING EVENTS

Ericsson announced changes in operations in Sweden

On October 4, 2016, Ericsson announced measures intended to be implemented in Sweden, in line with the ongoing cost and efficiency program. Ericsson intends to reduce 3,000 positions in production, research and development (R&D) as well as in sales and administration.

Ericsson announced preliminary Q3, 2016 earnings

On October 12, 2016, Ericsson announced that the business result for the third quarter 2016 would be significantly lower than company expectations. The negative industry trends from the first half of 2016 have further accelerated, impacting Q3, 2016 numbers primarily in Segment Networks. The sales decline was mainly driven by markets with weak macro-economic environment such as Brazil, Russia and the Middle East, impacting both mobile broadband coverage and capacity sales in these markets. In addition, capacity sales in Europe were lower following completion of mobile broadband projects in 2015.

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

During the third quarter of 2016, Ericsson contracted with Pars Online for sales by Ericsson of telecommunications infrastructure related products and services to Pars Online. During the third quarter of 2016, Ericsson made sales of telecommunications infrastructure related products and services in Iran to Hiweb, Mobile Communication Company of Iran and to MTN Irancell, which generated gross revenues (reported as net sales) of approximately SEK 588 million. Ericsson does not normally allocate quarterly net profit (reported as net income) on a country-by-country or activity-by-activity basis, other than as set forth in Ericsson's consolidated financial statements prepared in accordance with IFRS as issued by the IASB. However, Ericsson has estimated that its operating income (income before taxes and financial net) from such sales, after internal cost allocation, during the third quarter of 2016 would be substantially lower than such gross revenues. During the third quarter of 2016, Bank Mellat, Tejarat Bank and Post Bank of Iran (local banks in Iran) issued bank guarantees to secure an Iranian customer's payment obligations to Ericsson.

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RISK FACTORS

Ericsson's operational and financial risk factors and uncertainties are described in our Annual Report 2015.

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

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

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

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

Effects on gross margins of the business mix in the Global Services segment including proportion of new network build-outs and share of 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 JV arrangements or partnerships which may not be successful and expose us to future costs;

Changes in foreign exchange rates, in particular USD;

Political unrest or instability in certain markets;

Effects on production and sales from restrictions with respect to timely and adequate supply of materials, components and production capacity and other vital services on competitive terms;
No guarantees that specific restructuring or cost-savings initiatives will be sufficient, successful or executed in time to deliver any improvements in short-term earnings;

Brexit might lead to economic uncertainty which may impact operators' investment levels;

Various geopolitical forces may impact the global economy and our business;

Cyber security incidents, which may have material negative impact.

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

Stockholm, October 21, 2016

Telefonaktiebolaget LM Ericsson

Jan Frykhammar, President and CEO

Org. no. 556016-0680

Date for next report: January 26, 2017

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AUDITORS REVIEW REPORT

Introduction

We have reviewed the condensed interim financial information (interim report) of Telefonaktiebolaget LM Ericsson (publ.) as of September 30, 2016, and the nine months period then ended. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, October 21, 2016

PricewaterhouseCoopers AB

Bo Hjalmarsson

Authorized Public Accountant

Auditor in Charge

Johan Engstam

Authorized Public Accountant

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SAFE HARBOR STATEMENT

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

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

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FINANCIAL STATEMENTS AND

ADDITIONAL INFORMATION

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CONSOLIDATED INCOME STATEMENT

| SEK million | 2016 | Jul-Sep 2015 | Change | 2016 | Jan-Sep 2015 | Change |
|---|----------------|-----------------|--------------|----------------|-----------------|-------------|
| Net sales | 51,076 | 59,161 | -14% | 157,393 | 173,352 | -9% |
| Cost of sales | -36,616 | -39,110 | -6% | -108,048 | -114,202 | -5% |
| Gross income | 14,460 | 20,051 | -28% | 49,345 | 59,150 | -17% |
| Gross margin (%) | 28.3% | 33.9% | | 31.4% | 34.1% | |
| Research and development expenses | -7,855 | -8,540 | -8% | -22,745 | -26,923 | -16% |
| Selling and administrative expenses | -6,238 | -6,393 | -2% | -20,067 | -21,289 | -6% |
| Operating expenses | -14,093 | -14,933 | -6% | -42,812 | -48,212 | -11% |
| Other operating income and expenses | -3 | 80 | | 40 | -101 | |
| Shares in earnings of JV and associated companies | -23 | -121 | | 6 | -67 | |
| Operating income | 341 | 5,077 | -93% | 6,579 | 10,770 | -39% |
| Financial income | -226 | 188 | | -176 | 634 | |
| Financial expenses | -371 | -809 | | -1,414 | -1,839 | |
| Income after financial items | -256 | 4,456 | -106% | 4,989 | 9,565 | -48% |
| Taxes | 76 | -1,338 | | -1,497 | -2,870 | |
| Net income | -180 | 3,118 | -106% | 3,492 | 6,695 | -48% |
| Net income attributable to: | | | | | | |
| Stockholders of the Parent Company | -233 | 3,080 | | 3,320 | 6,493 | |
| Non-controlling interests | 53 | 38 | | 172 | 202 | |
| Other information | | | | | | |
| Average number of shares, basic (million) | 3,264 | 3,251 | | 3,261 | 3,247 | |
| Earnings per share, basic (SEK) ¹⁾ | -0.07 | 0.95 | | 1.02 | 2.00 | |
| Earnings per share, diluted (SEK) ¹⁾ | -0.07 | 0.94 | | 1.01 | 1.98 | |

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

STATEMENT OF COMPREHENSIVE INCOME

| SEK million | Jul-Sep 2016 | Jul-Sep 2015 | Jan-Sep 2016 | Jan-Sep 2015 |
|--|-----------------|-----------------|-----------------|-----------------|
| Net income | -180 | 3,118 | 3,492 | 6,695 |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit or loss | | | | |
| Remeasurements of defined benefits pension plans incl. asset ceiling | -5,347 | -1,113 | -9,790 | -5,886 |

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Tax on items that will not be reclassified to profit or loss | 1,218 | 214 | 2,406 | 1,518 |
| Items that may be reclassified to profit or loss | | | | |
| Available-for-sale financial assets | | | | |
| Gains/losses arising during the period | 0 | | 0 | |
| Revaluation of other investments in shares and participations | | | | |
| Fair value remeasurement | 0 | 60 | -4 | 241 |
| Changes in cumulative translation adjustments | 1,520 | -1,246 | 2,368 | 537 |
| Share of other comprehensive income on JV and associated companies | 11 | 237 | -355 | 141 |
| Tax on items that may be reclassified to profit or loss | 0 | 0 | 0 | 0 |
| Total other comprehensive income, net of tax | -2,598 | -1,848 | -5,375 | -3,449 |
| Total comprehensive income | -2,778 | 1,270 | -1,883 | 3,246 |
| Total comprehensive income attributable to: | | | | |
| Stockholders of the Parent Company | -2,871 | 1,255 | -2,121 | 3,045 |
| Non-controlling interest | 93 | 15 | 238 | 201 |

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CONSOLIDATED BALANCE SHEET

| SEK million | Sep 30 2016 | Jun 30 2016 | Dec 31 2015 |
|--|----------------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | | | |
| Capitalized development expenses | 7,437 | 7,064 | 5,493 |
| Goodwill | 41,976 | 41,913 | 41,087 |
| Intellectual property rights, brands and other intangible assets | 8,076 | 8,035 | 9,316 |
| Property, plant and equipment | 17,082 | 16,856 | 15,901 |
| Financial assets | | | |
| Equity in JV and associated companies | 761 | 787 | 1,210 |
| Other investments in shares and participations | 1,188 | 1,178 | 1,275 |
| Customer finance, non-current | 1,989 | 2,315 | 1,739 |
| Interest-bearing securities, non-current | 540 | | |
| Other financial assets, non-current | 4,310 | 5,061 | 5,634 |
| Deferred tax assets | 17,383 | 14,451 | 13,183 |
| | 100,742 | 97,660 | 94,838 |
| Current assets | | | |
| Inventories | 34,140 | 34,660 | 28,436 |
| Trade receivables | 70,370 | 68,461 | 71,069 |
| Customer finance, current | 2,644 | 2,532 | 2,041 |
| Other current receivables | 24,758 | 25,297 | 21,709 |
| Interest-bearing securities, current | 18,663 | 19,846 | 26,046 |
| Cash and cash equivalents | 24,401 | 28,931 | 40,224 |
| | 174,976 | 179,727 | 189,525 |
| Total assets | 275,718 | 277,387 | 284,363 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Stockholders' equity | 133,138 | 135,746 | 146,525 |
| Non-controlling interest in equity of subsidiaries | 874 | 945 | 841 |
| | 134,012 | 136,691 | 147,366 |
| Non-current liabilities | | | |
| Post-employment benefits | 32,463 | 27,323 | 22,664 |
| Provisions, non-current | 170 | 245 | 176 |
| Deferred tax liabilities | 2,052 | 2,036 | 2,472 |
| Borrowings, non-current | 18,283 | 18,164 | 22,744 |
| Other non-current liabilities | 2,127 | 2,030 | 1,851 |
| | 55,095 | 49,798 | 49,907 |

| | | | |
|--|----------------|----------------|----------------|
| Current liabilities | | | |
| Provisions, current | 3,075 | 3,142 | 3,662 |
| Borrowings, current | 9,007 | 9,653 | 2,376 |
| Trade payables | 21,633 | 23,709 | 22,389 |
| Other current liabilities | 52,896 | 54,394 | 58,663 |
| | 86,611 | 90,898 | 87,090 |
| Total equity and liabilities | 275,718 | 277,387 | 284,363 |
| <i>Of which interest-bearing liabilities</i> | 27,290 | 27,817 | 25,120 |
| Assets pledged as collateral | 2,534 | 2,523 | 2,526 |
| Contingent liabilities | 1,146 | 1,003 | 922 |

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CONSOLIDATED STATEMENT

OF CASH FLOWS

| SEK million | Jul-Sep | | Jan-Sep | | Jan-Dec |
|--|---------------|---------------|----------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 | 2015 |
| Operating activities | | | | | |
| Net income | -180 | 3,118 | 3,492 | 6,695 | 13,673 |
| Adjustments to reconcile net income to cash | | | | | |
| Taxes | -1,282 | 51 | -5,900 | -3,230 | -2,835 |
| Earnings/dividends in JV and associated companies | 22 | 136 | 79 | 163 | 130 |
| Depreciation, amortization and impairment losses | 2,308 | 2,425 | 6,509 | 7,685 | 10,206 |
| Other | 630 | 1,052 | 2,270 | 2,018 | 3,110 |
| | 1,498 | 6,782 | 6,450 | 13,331 | 24,284 |
| Changes in operating net assets | | | | | |
| Inventories | 980 | -226 | -4,899 | -3,862 | -366 |
| Customer finance, current and non-current | 223 | 375 | -844 | 522 | 824 |
| Trade receivables | -624 | -1,421 | 2,220 | 4,246 | 7,000 |
| Trade payables | -2,371 | -494 | -531 | -3,562 | -2,676 |
| Provisions and post-employment benefits | 130 | -302 | 334 | 1,217 | 544 |
| Other operating assets and liabilities, net | -2,153 | -3,154 | -8,132 | -13,154 | -9,013 |
| | -3,815 | -5,222 | -11,852 | -14,593 | -3,687 |
| Cash flow from operating activities | -2,317 | 1,560 | -5,402 | -1,262 | 20,597 |
| Investing activities | | | | | |
| Investments in property, plant and equipment | -1,384 | -1,807 | -4,430 | -6,598 | -8,338 |
| Sales of property, plant and equipment | 111 | 59 | 205 | 1,209 | 1,301 |
| Acquisitions/divestments of subsidiaries and other operations, net | 16 | -1,028 | -572 | -1,255 | -2,200 |
| Product development | -885 | -982 | -3,192 | -2,119 | -3,302 |
| Other investing activities | -508 | 37 | -663 | -125 | -543 |
| Interest-bearing securities | 610 | 3,631 | 6,978 | 13,708 | 5,095 |
| Cash flow from investing activities | -2,040 | -90 | -1,674 | 4,820 | -7,987 |
| Cash flow before financing activities | -4,357 | 1,470 | -7,076 | 3,558 | 12,610 |
| Financing activities | | | | | |
| Dividends paid | -163 | -277 | -12,263 | -11,337 | -11,337 |
| Other financing activities | -1,295 | -34 | 1,560 | 1,296 | 627 |
| Cash flow from financing activities | -1,458 | -311 | -10,703 | -10,041 | -10,710 |
| Effect of exchange rate changes on cash | 1,285 | -171 | 1,956 | -555 | -2,664 |
| Net change in cash and cash equivalents | -4,530 | 988 | -15,823 | -7,038 | -764 |
| Cash and cash equivalents, beginning of period | 28,931 | 32,962 | 40,224 | 40,988 | 40,988 |
| Cash and cash equivalents, end of period | 24,401 | 33,950 | 24,401 | 33,950 | 40,224 |

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CONSOLIDATED STATEMENT

OF CHANGES IN EQUITY

| SEK million | Jan-Sep 2016 | Jan-Sep 2015 | Jan-Dec 2015 |
|---|-----------------|-----------------|-----------------|
| Opening balance | 147,366 | 145,309 | 145,309 |
| Total comprehensive income | -1,883 | 3,246 | 12,362 |
| Sale/repurchase of own shares | -51 | 126 | 169 |
| Stock issue (net) | 131 | | |
| Stock purchase plan | 711 | 641 | 865 |
| Dividends paid | -12,263 | -11,337 | -11,337 |
| Transactions with non-controlling interests | 1 | -1 | -2 |
| Closing balance | 134,012 | 137,984 | 147,366 |

CONSOLIDATED INCOME STATEMENT

ISOLATED QUARTERS

| Isolated quarters, SEK million | Q3 | 2016 Q2 | Q1 | Q4 | 2015 Q3 | Q2 | Q1 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net sales | 51,076 | 54,108 | 52,209 | 73,568 | 59,161 | 60,671 | 53,520 |
| Cost of sales | -36,616 | -36,613 | -34,819 | -46,899 | -39,110 | -40,536 | -34,556 |
| Gross income | 14,460 | 17,495 | 17,390 | 26,669 | 20,051 | 20,135 | 18,964 |
| Gross margin (%) | 28.3% | 32.3% | 33.3% | 36.3% | 33.9% | 33.2% | 35.4% |
| Research and development expenses | -7,855 | -7,405 | -7,485 | -7,921 | -8,540 | -9,896 | -8,487 |
| Selling and administrative expenses | -6,238 | -7,109 | -6,720 | -7,996 | -6,393 | -7,765 | -7,131 |
| Operating expenses | -14,093 | -14,514 | -14,205 | -15,917 | -14,933 | -17,661 | -15,618 |
| Other operating income and expenses | -3 | -230 | 273 | 254 | 80 | 1,059 | -1,240 |
| Shares in earnings of JV and associated companies | -23 | 12 | 17 | 29 | -121 | 27 | 27 |
| Operating income | 341 | 2,763 | 3,475 | 11,035 | 5,077 | 3,560 | 2,133 |
| Financial income | -226 | 139 | -89 | -109 | 188 | -238 | 684 |
| Financial expenses | -371 | -666 | -377 | -619 | -809 | -290 | -740 |
| Income after financial items | -256 | 2,236 | 3,009 | 10,307 | 4,456 | 3,032 | 2,077 |
| Taxes | 76 | -670 | -903 | -3,329 | -1,338 | -909 | -623 |
| Net income | -180 | 1,566 | 2,106 | 6,978 | 3,118 | 2,123 | 1,454 |

Net income attributable to:

| | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|
| Stockholders of the Parent Company | -233 | 1,587 | 1,966 | 7,056 | 3,080 | 2,094 | 1,319 |
| Non-controlling interests | 53 | -21 | 140 | -78 | 38 | 29 | 135 |
| Other information | | | | | | | |
| Average number of shares, basic (million) | 3,264 | 3,261 | 3,258 | 3,254 | 3,251 | 3,247 | 3,244 |
| Earnings per share, basic (SEK) ¹⁾ | -0.07 | 0.49 | 0.60 | 2.17 | 0.95 | 0.64 | 0.41 |
| Earnings per share, diluted (SEK) ¹⁾ | -0.07 | 0.48 | 0.60 | 2.15 | 0.94 | 0.64 | 0.40 |

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

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CONSOLIDATED STATEMENT

OF CASH FLOWS ISOLATED QUARTERS

| Isolated quarters, SEK million | 2016 | | | | 2015 | | |
|--|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Operating activities | | | | | | | |
| Net income | -180 | 1,566 | 2,106 | 6,978 | 3,118 | 2,123 | 1,454 |
| Adjustments to reconcile net income to cash | | | | | | | |
| Taxes | -1,282 | -3,410 | -1,208 | 395 | 51 | -1,360 | -1,921 |
| Earnings/dividends in JV and associated companies | 22 | 73 | -16 | -33 | 136 | 49 | -22 |
| Depreciation, amortization and impairment losses | 2,308 | 2,104 | 2,097 | 2,521 | 2,425 | 2,579 | 2,681 |
| Other | 630 | 988 | 652 | 1,092 | 1,052 | 22 | 944 |
| | 1,498 | 1,321 | 3,631 | 10,953 | 6,782 | 3,413 | 3,136 |
| Changes in operating net assets | | | | | | | |
| Inventories | 980 | -1,667 | -4,212 | 3,496 | -226 | 383 | -4,019 |
| Customer finance, current and non-current | 223 | -816 | -251 | 302 | 375 | 405 | -258 |
| Trade receivables | -624 | -564 | 3,408 | 2,754 | -1,421 | 3,630 | 2,037 |
| Trade payables | -2,371 | 2,457 | -617 | 886 | -494 | -1,400 | -1,668 |
| Provisions and post-employment benefits | 130 | 218 | -14 | -673 | -302 | 1,685 | -166 |
| Other operating assets and liabilities, net | -2,153 | -1,662 | -4,317 | 4,141 | -3,154 | -5,038 | -4,962 |
| | -3,815 | -2,034 | -6,003 | 10,906 | -5,222 | -335 | -9,036 |
| Cash flow from operating activities | -2,317 | -713 | -2,372 | 21,859 | 1,560 | 3,078 | -5,900 |
| Investing activities | | | | | | | |
| Investments in property, plant and equipment | -1,384 | -1,572 | -1,474 | -1,740 | -1,807 | -2,424 | -2,367 |
| Sales of property, plant and equipment | 111 | 50 | 44 | 92 | 59 | 1,075 | 75 |
| Acquisitions/divestments of subsidiaries and other operations, net | 16 | -480 | -108 | -945 | -1,028 | -169 | -58 |
| Product development | -885 | -1,099 | -1,208 | -1,183 | -982 | -843 | -294 |
| Other investing activities | -508 | -890 | 735 | -418 | 37 | -280 | 118 |
| Interest-bearing securities | 610 | 5,355 | 1,013 | -8,613 | 3,631 | 9,678 | 399 |
| Cash flow from investing activities | -2,040 | 1,364 | -998 | -12,807 | -90 | 7,037 | -2,127 |
| Cash flow before financing activities | -4,357 | 651 | -3,370 | 9,052 | 1,470 | 10,115 | -8,027 |
| Financing activities | | | | | | | |
| Dividends paid | -163 | -12,067 | -33 | | -277 | -11,035 | -25 |
| Other financing activities | -1,295 | 2,761 | 94 | -669 | -34 | 431 | 899 |

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| | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|----------------|---------------|
| Cash flow from financing activities | -1,458 | -9,306 | 61 | -669 | -311 | -10,604 | 874 |
| Effect of exchange rate changes on cash | 1,285 | 1,652 | -981 | -2,109 | -171 | -1,860 | 1,476 |
| Net change in cash and cash equivalents | -4,530 | -7,003 | -4,290 | 6,274 | 988 | -2,349 | -5,677 |
| Cash and cash equivalents, beginning of period | 28,931 | 35,934 | 40,224 | 33,950 | 32,962 | 35,311 | 40,988 |
| Cash and cash equivalents, end of period | 24,401 | 28,931 | 35,934 | 40,224 | 33,950 | 32,962 | 35,311 |

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ACCOUNTING POLICIES

THE GROUP

This interim report is prepared in accordance with IAS 34. The term "IFRS" used in this document refers to the application of IAS and IFRS as well as interpretations of these standards as issued by IASB's Standards Interpretation Committee (SIC) and IFRS Interpretations Committee (IFRIC). The accounting policies adopted are consistent with those of the annual report for the year ended December 31, 2015, and should be read in conjunction with that annual report.

There is no significant difference between IFRS effective as per September 30, 2016 and IFRS as endorsed by the EU.

Amendments applied as from the first quarter of 2016*

Presentation in financial statements

In the Consolidated Balance Sheet, Interest-bearing securities, non-current has been added as a new line and Short term investments has been renamed Interest-bearing securities, current. On the Statement of Cash Flow, the line Short-term investments has been renamed Interest-bearing securities.

Accounting for bonds

Due to the conditions in the market for government and mortgage bonds in Sweden, Ericsson now intends to hold bonds purchased in its "Asset management" portfolio until maturity instead of intending to hold them for trading. Bonds purchased in this portfolio after January 1, 2016 are classified as available-for-sale. Bonds held as available-for-sale with a maturity longer than one year are included in Interest-bearing securities, non-current. Bonds held as available-for-sale with a maturity shorter than one year are included in Interest-bearing securities, current. Unrealized gains and losses are recognized in Other comprehensive income. When these securities are derecognized, the accumulated fair value adjustments will be included in financial income.

* Updated in the third quarter of 2016 due to purchase of available-for-sale bond

Amendments applied as from the second quarter of 2016

APMs

As from the second quarter, Ericsson has applied the new guidelines issued by ESMA** on APMs (Alternative Performance Measures). In summary, an APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in IFRS. The APMs presented in the interim report will be reconciled to the most directly reconcilable line items in the financial statements at the end of the interim report.

** European Securities and Markets Authority – a European supervisory authority

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NET SALES BY SEGMENT BY QUARTER

| Isolated quarters, SEK million | 2016 | | | | 2015 | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 23,343 | 26,765 | 25,820 | 37,304 | 28,817 | 31,163 | 26,436 |
| Global Services | 24,804 | 24,481 | 23,018 | 30,670 | 27,055 | 26,392 | 23,901 |
| <i>Of which Professional Services</i> | <i>18,747</i> | <i>18,670</i> | <i>17,932</i> | <i>23,072</i> | <i>20,545</i> | <i>20,001</i> | <i>18,131</i> |
| <i>Of which Managed Services</i> | <i>7,153</i> | <i>7,330</i> | <i>7,352</i> | <i>8,214</i> | <i>7,976</i> | <i>8,150</i> | <i>7,501</i> |
| <i>Of which Network Rollout</i> | <i>6,057</i> | <i>5,811</i> | <i>5,086</i> | <i>7,598</i> | <i>6,510</i> | <i>6,391</i> | <i>5,770</i> |
| Support Solutions | 2,929 | 2,862 | 3,371 | 5,594 | 3,289 | 3,092 | 3,074 |
| Modems | | | | | | 24 | 109 |
| Total | 51,076 | 54,108 | 52,209 | 73,568 | 59,161 | 60,671 | 53,520 |

| Sequential change, percent | 2016 | | | | 2015 | | |
|---------------------------------------|------------|------------|-------------|------------|------------|------------|-------------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | -13% | 4% | -31% | 29% | -8% | 18% | -22% |
| Global Services | 1% | 6% | -25% | 13% | 3% | 10% | -20% |
| <i>Of which Professional Services</i> | <i>0%</i> | <i>4%</i> | <i>-22%</i> | <i>12%</i> | <i>3%</i> | <i>10%</i> | <i>-15%</i> |
| <i>Of which Managed Services</i> | <i>-2%</i> | <i>0%</i> | <i>-10%</i> | <i>3%</i> | <i>-2%</i> | <i>9%</i> | <i>-3%</i> |
| <i>Of which Network Rollout</i> | <i>4%</i> | <i>14%</i> | <i>-33%</i> | <i>17%</i> | <i>2%</i> | <i>11%</i> | <i>-31%</i> |
| Support Solutions | 2% | -15% | -40% | 70% | 6% | 1% | -23% |
| Modems | | | | | | | |
| Total | -6% | 4% | -29% | 24% | -2% | 13% | -21% |

| Year over year change, percent | 2016 | | | | 2015 | | |
|---------------------------------------|-------------|-------------|-------------|------------|------------|------------|------------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | -19% | -14% | -2% | 9% | -4% | 8% | 8% |
| Global Services | -8% | -7% | -4% | 3% | 11% | 14% | 17% |
| <i>Of which Professional Services</i> | <i>-9%</i> | <i>-7%</i> | <i>-1%</i> | <i>8%</i> | <i>15%</i> | <i>21%</i> | <i>20%</i> |
| <i>Of which Managed Services</i> | <i>-10%</i> | <i>-10%</i> | <i>-2%</i> | <i>6%</i> | <i>11%</i> | <i>26%</i> | <i>30%</i> |
| <i>Of which Network Rollout</i> | <i>-7%</i> | <i>-9%</i> | <i>-12%</i> | <i>-9%</i> | <i>-2%</i> | <i>-2%</i> | <i>9%</i> |
| Support Solutions | -11% | -7% | 10% | 40% | 8% | 9% | 11% |
| Modems | | | | | | | |
| Total | -14% | -11% | -2% | 8% | 3% | 11% | 13% |

| Year to date, SEK million | 2016 | | | | 2015 | | |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|
| | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 75,928 | 52,585 | 25,820 | 123,720 | 86,416 | 57,599 | 26,436 |

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| | | | | | | | |
|---------------------------------------|----------------|----------------|---------------|----------------|----------------|----------------|---------------|
| Global Services | 72,303 | 47,499 | 23,018 | 108,018 | 77,348 | 50,293 | 23,901 |
| <i>Of which Professional Services</i> | <i>55,349</i> | <i>36,602</i> | <i>17,932</i> | <i>81,749</i> | <i>58,677</i> | <i>38,132</i> | <i>18,131</i> |
| <i>Of which Managed Services</i> | <i>21,835</i> | <i>14,682</i> | <i>7,352</i> | <i>31,841</i> | <i>23,627</i> | <i>15,651</i> | <i>7,501</i> |
| <i>Of which Network Rollout</i> | <i>16,954</i> | <i>10,897</i> | <i>5,086</i> | <i>26,269</i> | <i>18,671</i> | <i>12,161</i> | <i>5,770</i> |
| Support Solutions | 9,162 | 6,233 | 3,371 | 15,049 | 9,455 | 6,166 | 3,074 |
| Modems | | | | 133 | 133 | 133 | 109 |
| Total | 157,393 | 106,317 | 52,209 | 246,920 | 173,352 | 114,191 | 53,520 |

| Year to date, year over year change, percent | Jan-Sep | 2016 | | | 2015 | | |
|--|------------|-------------|-------------|------------|------------|------------|------------|
| | | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | -12% | -9% | -2% | 5% | 4% | 8% | 8% |
| Global Services | -7% | -6% | -4% | 11% | 14% | 16% | 17% |
| <i>Of which Professional Services</i> | <i>-6%</i> | <i>-4%</i> | <i>-1%</i> | <i>15%</i> | <i>19%</i> | <i>21%</i> | <i>20%</i> |
| <i>Of which Managed Services</i> | <i>-8%</i> | <i>-6%</i> | <i>-2%</i> | <i>17%</i> | <i>22%</i> | <i>28%</i> | <i>30%</i> |
| <i>Of which Network Rollout</i> | <i>-9%</i> | <i>-10%</i> | <i>-12%</i> | <i>-2%</i> | <i>1%</i> | <i>3%</i> | <i>9%</i> |
| Support Solutions | -3% | 1% | 10% | 19% | 9% | 10% | 11% |
| Modems | | | | | | | |
| Total | -9% | -7% | -2% | 8% | 8% | 12% | 13% |

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OPERATING INCOME

BY SEGMENT BY QUARTER

| Isolated quarters, SEK million | 2016 | | | | 2015 | | |
|---------------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | -251 | 1,593 | 2,724 | 7,154 | 2,764 | 2,435 | 590 |
| Global Services | 993 | 1,484 | 644 | 2,530 | 2,364 | 1,640 | 1,681 |
| <i>Of which Professional Services</i> | <i>1,401</i> | <i>1,676</i> | <i>1,293</i> | <i>2,712</i> | <i>2,386</i> | <i>2,403</i> | <i>2,109</i> |
| <i>Of which Network Rollout</i> | <i>-408</i> | <i>-192</i> | <i>-649</i> | <i>-182</i> | <i>-22</i> | <i>-763</i> | <i>-428</i> |
| Support Solutions | -351 | -421 | 238 | 1,668 | -6 | -240 | 82 |
| Modems | | | | 1 | -1 | 7 | 0 |
| Unallocated ¹⁾ | -50 | 107 | -131 | -318 | -44 | -282 | -220 |
| Total | 341 | 2,763 | 3,475 | 11,035 | 5,077 | 3,560 | 2,133 |

| Year to date, SEK million | 2016 | | | | 2015 | | |
|---------------------------------------|---------------|--------------|--------------|---------------|---------------|---------------|--------------|
| | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 4,066 | 4,317 | 2,724 | 12,943 | 5,789 | 3,025 | 590 |
| Global Services | 3,121 | 2,128 | 644 | 8,215 | 5,685 | 3,321 | 1,681 |
| <i>Of which Professional Services</i> | <i>4,370</i> | <i>2,969</i> | <i>1,293</i> | <i>9,610</i> | <i>6,898</i> | <i>4,512</i> | <i>2,109</i> |
| <i>Of which Network Rollout</i> | <i>-1,249</i> | <i>-841</i> | <i>-649</i> | <i>-1,395</i> | <i>-1,213</i> | <i>-1,191</i> | <i>-428</i> |
| Support Solutions | -534 | -183 | 238 | 1,504 | -164 | -158 | 82 |
| Modems | | | | 7 | 6 | 7 | 0 |
| Unallocated ¹⁾ | -74 | -24 | -131 | -864 | -546 | -502 | -220 |
| Total | 6,579 | 6,238 | 3,475 | 21,805 | 10,770 | 5,693 | 2,133 |

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

OPERATING MARGIN

BY SEGMENT BY QUARTER

| As percentage of net sales, isolated quarters | 2016 | | | | 2015 | | |
|---|------------|------------|-------------|------------|------------|-------------|------------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | -1% | 6% | 11% | 19% | 10% | 8% | 2% |
| Global Services | 4% | 6% | 3% | 8% | 9% | 6% | 7% |
| <i>Of which Professional Services</i> | <i>7%</i> | <i>9%</i> | <i>7%</i> | <i>12%</i> | <i>12%</i> | <i>12%</i> | <i>12%</i> |
| <i>Of which Network Rollout</i> | <i>-7%</i> | <i>-3%</i> | <i>-13%</i> | <i>-2%</i> | <i>0%</i> | <i>-12%</i> | <i>-7%</i> |

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| | | | | | | | |
|-----------------------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|
| Support Solutions Modems | -12% | -15% | 7% | 30% | 0% | -8% | 3% |
| Total | 1% | 5% | 7% | 15% | 9% | 6% | 4% |

| As percentage of net sales, year to date | 2016 | | | | 2015 | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 5% | 8% | 11% | 10% | 7% | 5% | 2% |
| Global Services | 4% | 4% | 3% | 8% | 7% | 7% | 7% |
| <i>Of which Professional Services</i> | 8% | 8% | 7% | 12% | 12% | 12% | 12% |
| <i>Of which Network Rollout</i> | -7% | -8% | -13% | -5% | -6% | -10% | -7% |
| Support Solutions Modems | -6% | -3% | 7% | 10% | -2% | -3% | 3% |
| Total | 4% | 6% | 7% | 9% | 6% | 5% | 4% |

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NET SALES

BY REGION BY QUARTER

| Isolated quarters, SEK million | 2016 | | | | 2015 | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| North America | 13,224 | 13,426 | 13,182 | 17,082 | 14,355 | 14,578 | 12,246 |
| Latin America | 4,381 | 4,542 | 4,040 | 6,106 | 5,610 | 5,067 | 4,574 |
| Northern Europe & Central Asia 1) 2) | 2,043 | 2,093 | 2,222 | 2,847 | 2,520 | 2,556 | 2,726 |
| Western & Central Europe 2) | 3,565 | 4,466 | 3,953 | 5,320 | 4,540 | 5,131 | 4,741 |
| Mediterranean 2) | 4,543 | 5,427 | 4,296 | 6,971 | 5,470 | 5,887 | 4,982 |
| Middle East | 4,280 | 4,921 | 3,567 | 6,089 | 5,728 | 6,515 | 4,517 |
| Sub Saharan Africa | 2,012 | 2,313 | 2,120 | 2,847 | 2,691 | 2,653 | 2,158 |
| India | 2,597 | 2,426 | 2,683 | 3,172 | 3,629 | 3,049 | 3,531 |
| North East Asia | 6,122 | 6,041 | 5,579 | 8,916 | 6,348 | 6,943 | 6,030 |
| South East Asia & Oceania | 5,054 | 5,272 | 5,199 | 5,329 | 4,750 | 4,897 | 4,259 |
| Other 1) 2) | 3,255 | 3,181 | 5,368 | 8,889 | 3,520 | 3,395 | 3,756 |
| Total | 51,076 | 54,108 | 52,209 | 73,568 | 59,161 | 60,671 | 53,520 |

1) Of which in Sweden 690 477 1,113 972 1,135 598 1,091

2) Of which in EU 8,507 9,635 9,229 12,644 10,584 11,453 10,904

| Sequential change, percent | 2016 | | | | 2015 | | |
|---|------------|-----------|-------------|------------|------------|------------|-------------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| North America | -2% | 2% | -23% | 19% | -2% | 19% | -6% |
| Latin America | -4% | 12% | -34% | 9% | 11% | 11% | -30% |
| Northern Europe & Central Asia 1) 2) | -2% | -6% | -22% | 13% | -1% | -6% | -33% |
| Western & Central Europe 2) | -20% | 13% | -26% | 17% | -12% | 8% | -22% |
| Mediterranean 2) | -16% | 26% | -38% | 27% | -7% | 18% | -34% |
| Middle East | -13% | 38% | -41% | 6% | -12% | 44% | -34% |
| Sub Saharan Africa | -13% | 9% | -26% | 6% | 1% | 23% | -17% |
| India | 7% | -10% | -15% | -13% | 19% | -14% | 49% |
| North East Asia | 1% | 8% | -37% | 40% | -9% | 15% | -35% |
| South East Asia & Oceania | -4% | 1% | -2% | 12% | -3% | 15% | -14% |
| Other 1) 2) | 2% | -41% | -40% | 153% | 4% | -10% | -19% |
| Total | -6% | 4% | -29% | 24% | -2% | 13% | -21% |

1) Of which in Sweden 45% -57% 15% -14% 90% -45% 4%

2) Of which in EU -12% 4% -27% 19% -8% 5% -24%

2016

2015

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| Year-over-year change, percent | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
|---|-------------|-------------|------------|-----------|-----------|------------|------------|
| North America | -8% | -8% | 8% | 31% | 2% | -4% | 0% |
| Latin America | -22% | -10% | -12% | -7% | -5% | -6% | -3% |
| Northern Europe & Central Asia 1) 2) | -19% | -18% | -18% | -30% | -20% | -6% | 12% |
| Western & Central Europe 2) | -21% | -13% | -17% | -13% | -2% | 12% | 8% |
| Mediterranean 2) | -17% | -8% | -14% | -7% | 5% | 7% | 4% |
| Middle East | -25% | -24% | -21% | -11% | -5% | 44% | 17% |
| Sub Saharan Africa | -25% | -13% | -2% | 9% | 10% | 41% | 19% |
| India | -28% | -20% | -24% | 34% | 81% | 85% | 108% |
| North East Asia | -4% | -13% | -7% | -3% | -10% | 8% | 23% |
| South East Asia & Oceania | 6% | 8% | 22% | 8% | 25% | 34% | 24% |
| Other 1) 2) | -8% | -6% | 43% | 91% | 4% | 1% | 15% |
| Total | -14% | -11% | -2% | 8% | 3% | 11% | 13% |
| 1) <i>Of which in Sweden</i> | -39% | -20% | 2% | -7% | 4% | -41% | 9% |
| 2) <i>Of which in EU</i> | -20% | -16% | -15% | -12% | -1% | 11% | 12% |

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NET SALES

BY REGION BY QUARTER, CONT.

| Year to date, SEK million | 2016 | | | | 2015 | | |
|---|----------------|----------------|---------------|----------------|----------------|----------------|---------------|
| | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| North America | 39,832 | 26,608 | 13,182 | 58,261 | 41,179 | 26,824 | 12,246 |
| Latin America | 12,963 | 8,582 | 4,040 | 21,357 | 15,251 | 9,641 | 4,574 |
| Northern Europe & Central Asia ^{1) 2)} | 6,358 | 4,315 | 2,222 | 10,649 | 7,802 | 5,282 | 2,726 |
| Western & Central Europe ²⁾ | 11,984 | 8,419 | 3,953 | 19,732 | 14,412 | 9,872 | 4,741 |
| Mediterranean ²⁾ | 14,266 | 9,723 | 4,296 | 23,310 | 16,339 | 10,869 | 4,982 |
| Middle East | 12,768 | 8,488 | 3,567 | 22,849 | 16,760 | 11,032 | 4,517 |
| Sub Saharan Africa | 6,445 | 4,433 | 2,120 | 10,349 | 7,502 | 4,811 | 2,158 |
| India | 7,706 | 5,109 | 2,683 | 13,381 | 10,209 | 6,580 | 3,531 |
| North East Asia | 17,742 | 11,620 | 5,579 | 28,237 | 19,321 | 12,973 | 6,030 |
| South East Asia & Oceania | 15,525 | 10,471 | 5,199 | 19,235 | 13,906 | 9,156 | 4,259 |
| Other ^{1) 2)} | 11,804 | 8,549 | 5,368 | 19,560 | 10,671 | 7,151 | 3,756 |
| Total | 157,393 | 106,317 | 52,209 | 246,920 | 173,352 | 114,191 | 53,520 |
| <i>Of which in Sweden</i> | <i>2,280</i> | <i>1,590</i> | <i>1,113</i> | <i>3,796</i> | <i>2,824</i> | <i>1,689</i> | <i>1,091</i> |
| <i>Of which in EU</i> | <i>27,371</i> | <i>18,864</i> | <i>9,229</i> | <i>45,585</i> | <i>32,941</i> | <i>22,357</i> | <i>10,904</i> |
| Year to date, year-over-year change, percent | 2016 | | | | 2015 | | |
| | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| North America | -3% | -1% | 8% | 7% | -1% | -2% | 0% |
| Latin America | -15% | -11% | -12% | -5% | -5% | -5% | -3% |
| Northern Europe & Central Asia ^{1) 2)} | -19% | -18% | -18% | -14% | -6% | 3% | 12% |
| Western & Central Europe ²⁾ | -17% | -15% | -17% | 0% | 6% | 10% | 8% |
| Mediterranean ²⁾ | -13% | -11% | -14% | 1% | 5% | 6% | 4% |
| Middle East | -24% | -23% | -21% | 7% | 16% | 32% | 17% |
| Sub Saharan Africa | -14% | -8% | -2% | 18% | 22% | 30% | 19% |
| India | -25% | -22% | -24% | 74% | 91% | 97% | 108% |
| North East Asia | -8% | -10% | -7% | 2% | 5% | 15% | 23% |
| South East Asia & Oceania | 12% | 14% | 22% | 21% | 28% | 29% | 24% |
| Other ^{1) 2)} | 11% | 20% | 43% | 33% | 7% | 8% | 15% |
| Total | -9% | -7% | -2% | 8% | 8% | 12% | 13% |
| <i>Of which in Sweden</i> | <i>-19%</i> | <i>-6%</i> | <i>2%</i> | <i>-8%</i> | <i>-9%</i> | <i>-16%</i> | <i>9%</i> |
| <i>Of which in EU</i> | <i>-17%</i> | <i>-16%</i> | <i>-15%</i> | <i>1%</i> | <i>7%</i> | <i>12%</i> | <i>12%</i> |

TOP 5 COUNTRIES IN SALES

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| Country As percentage of net sales | Q3 | | Jan-Sep | |
|---------------------------------------|------|------|---------|------|
| | 2016 | 2015 | 2016 | 2015 |
| United States | 26% | 24% | 26% | 24% |
| China | 8% | 7% | 8% | 8% |
| India | 5% | 6% | 5% | 6% |
| Italy | 3% | 3% | 3% | 3% |
| United Kingdom | 3% | 3% | 3% | 3% |

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NET SALES BY REGION BY SEGMENT

| SEK million | Q3 2016 | | | | Jan-Sep 2016 | | | |
|--------------------------------|---------------|-----------------|-------------------|---------------|---------------|-----------------|-------------------|----------------|
| | Networks | Global Services | Support Solutions | Total | Networks | Global Services | Support Solutions | Total |
| North America | 6,111 | 6,320 | 793 | 13,224 | 19,058 | 18,478 | 2,296 | 39,832 |
| Latin America | 1,821 | 2,418 | 142 | 4,381 | 5,940 | 6,490 | 533 | 12,963 |
| Northern Europe & Central Asia | 1,070 | 922 | 51 | 2,043 | 3,382 | 2,800 | 176 | 6,358 |
| Western & Central Europe | 1,070 | 2,386 | 109 | 3,565 | 4,076 | 7,541 | 367 | 11,984 |
| Mediterranean | 1,537 | 2,853 | 153 | 4,543 | 5,110 | 8,657 | 499 | 14,266 |
| Middle East | 1,592 | 2,409 | 279 | 4,280 | 4,870 | 7,082 | 816 | 12,768 |
| Sub Saharan Africa | 880 | 1,030 | 102 | 2,012 | 2,738 | 3,334 | 373 | 6,445 |
| India | 1,365 | 1,120 | 112 | 2,597 | 3,635 | 3,607 | 464 | 7,706 |
| North East Asia | 3,862 | 1,973 | 287 | 6,122 | 11,609 | 5,646 | 487 | 17,742 |
| South East Asia & Oceania | 2,312 | 2,656 | 86 | 5,054 | 8,686 | 6,594 | 245 | 15,525 |
| Other | 1,723 | 717 | 815 | 3,255 | 6,824 | 2,074 | 2,906 | 11,804 |
| Total | 23,343 | 24,804 | 2,929 | 51,076 | 75,928 | 72,303 | 9,162 | 157,393 |
| Share of Total | 46% | 48% | 6% | 100% | 48% | 46% | 6% | 100% |

| Sequential change, percent | Q3 2016 | | | |
|--------------------------------|-------------|-----------------|-------------------|------------|
| | Networks | Global Services | Support Solutions | Total |
| North America | -7% | 4% | 7% | -2% |
| Latin America | -13% | 7% | -25% | -4% |
| Northern Europe & Central Asia | 10% | -14% | -2% | -2% |
| Western & Central Europe | -37% | -9% | -11% | -20% |
| Mediterranean | -27% | -8% | -23% | -16% |
| Middle East | -15% | -13% | 2% | -13% |
| Sub Saharan Africa | -11% | -15% | -5% | -13% |
| India | 38% | -11% | -36% | 7% |
| North East Asia | -8% | 12% | 250% | 1% |
| South East Asia & Oceania | -28% | 32% | 18% | -4% |
| Other | -15% | 134% | -4% | 2% |
| Total | -13% | 1% | 2% | -6% |

| Year over year change, percent | Q3 2016 | |
|--------------------------------|----------|-------|
| | Networks | Total |

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| | | Global Services | Support Solutions | |
|--------------------------------|-------------|--------------------|----------------------|-------------|
| North America | -5% | -9% | -19% | -8% |
| Latin America | -27% | -17% | -25% | -22% |
| Northern Europe & Central Asia | -25% | -9% | -43% | -19% |
| Western & Central Europe | -22% | -20% | -41% | -21% |
| Mediterranean | -29% | -10% | -3% | -17% |
| Middle East | -41% | -9% | -30% | -25% |
| Sub Saharan Africa | -28% | -23% | -20% | -25% |
| India | -44% | 3% | 0% | -28% |
| North East Asia | -7% | -2% | 49% | -4% |
| South East Asia & Oceania | -5% | 20% | -15% | 6% |
| Other | -15% | -4% | 9% | -8% |
| Total | -19% | -8% | -11% | -14% |

| Year over year change, percent | Networks | Jan-Sep 2016 | | |
|--------------------------------|-------------|--------------------|----------------------|------------|
| | | Global Services | Support Solutions | Total |
| North America | 4% | -9% | -13% | -3% |
| Latin America | -14% | -16% | -10% | -15% |
| Northern Europe & Central Asia | -29% | 0% | -24% | -19% |
| Western & Central Europe | -17% | -16% | -26% | -17% |
| Mediterranean | -21% | -8% | 0% | -13% |
| Middle East | -47% | 5% | -10% | -24% |
| Sub Saharan Africa | -15% | -11% | -28% | -14% |
| India | -43% | 11% | -22% | -25% |
| North East Asia | -10% | -6% | 9% | -8% |
| South East Asia & Oceania | 18% | 5% | -13% | 12% |
| Other | 11% | -3% | 28% | 11% |
| Total | -12% | -7% | -3% | -9% |

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PROVISIONS

| Isolated quarters, SEK million | Q3 | 2016 | | | 2015 | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Opening balance | 3,387 | 3,532 | 3,838 | 4,331 | 5,354 | 4,056 | 4,427 |
| Additions | 666 | 839 | 492 | 589 | 695 | 2,777 | 915 |
| Utilization/Cash out | -716 | -794 | -667 | -1,096 | -1,545 | -1,217 | -1,204 |
| <i>Of which restructuring</i> | -529 | -639 | -487 | -754 | -1,103 | -472 | -437 |
| Reversal of excess amounts | -129 | -240 | -67 | 87 | -168 | -161 | -236 |
| Reclassification, translation difference and other | 37 | 50 | -64 | -73 | -5 | -101 | 154 |
| Closing balance | 3,245 | 3,387 | 3,532 | 3,838 | 4,331 | 5,354 | 4,056 |

| Year to date, SEK million | Jan-Sep | 2016 | | | 2015 | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Opening balance | 3,838 | 3,838 | 3,838 | 4,427 | 4,427 | 4,427 | 4,427 |
| Additions | 1,997 | 1,331 | 492 | 4,976 | 4,387 | 3,692 | 915 |
| Utilization/Cash out | -2,177 | -1,461 | -667 | -5,062 | -3,966 | -2,421 | -1,204 |
| <i>Of which restructuring</i> | -1,655 | -1,126 | -487 | -2,766 | -2,012 | -909 | -437 |
| Reversal of excess amounts | -436 | -307 | -67 | -478 | -565 | -397 | -236 |
| Reclassification, translation difference and other | 23 | -14 | -64 | -25 | 48 | 53 | 154 |
| Closing balance | 3,245 | 3,387 | 3,532 | 3,838 | 4,331 | 5,354 | 4,056 |

INFORMATION ON INVESTMENTS

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

| Isolated quarters, SEK million | Q3 | 2016 | | | 2015 | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Additions | | | | | | | |
| Property, plant and equipment | 1,384 | 1,572 | 1,474 | 1,739 | 1,807 | 2,424 | 2,367 |
| Capitalized development expenses ¹⁾ | 885 | 1,099 | 1,208 | 1,183 | 982 | 843 | 294 |
| IPR, brands and other intangible assets | -4 | 13 | 5 | 23 | 10 | 26 | 11 |
| Total | 2,265 | 2,684 | 2,687 | 2,945 | 2,799 | 3,293 | 2,672 |

Depreciation, amortization and impairment losses

| | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|
| Property, plant and equipment | 1,106 | 1,083 | 1,062 | 1,194 | 1,129 | 1,152 | 1,214 |
| Capitalized development expenses | 511 | 386 | 351 | 349 | 354 | 333 | 342 |
| IPR, brands and other intangible assets | 691 | 635 | 684 | 978 | 942 | 1,094 | 1,125 |

| | | | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total | 2,308 | 2,104 | 2,097 | 2,521 | 2,425 | 2,579 | 2,681 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|

1) Including reclassification

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OTHER INFORMATION

| SEK million | Jul-Sep | | Jan-Sep | | Jan-Dec |
|---|---------|--------|---------|--------|---------|
| | 2016 | 2015 | 2016 | 2015 | 2015 |
| Number of shares and earnings per share | | | | | |
| Number of shares, end of period (million) | 3,331 | 3,305 | 3,331 | 3,305 | 3,305 |
| Of which class A-shares (million) | 262 | 262 | 262 | 262 | 262 |
| Of which class B-shares (million) | 3,069 | 3,043 | 3,069 | 3,043 | 3,043 |
| Number of treasury shares, end of period (million) | 66 | 53 | 66 | 53 | 49 |
| Number of shares outstanding, basic, end of period (million) | 3,265 | 3,252 | 3,265 | 3,252 | 3,256 |
| Numbers of shares outstanding, diluted, end of period (million) | 3,302 | 3,284 | 3,302 | 3,284 | 3,289 |
| Average number of treasury shares (million) | 67 | 54 | 59 | 58 | 56 |
| Average number of shares outstanding, basic (million) | 3,264 | 3,251 | 3,261 | 3,247 | 3,249 |
| Average number of shares outstanding, diluted (million) ¹⁾ | 3,301 | 3,283 | 3,298 | 3,280 | 3,282 |
| Earnings per share, basic (SEK) | -0.07 | 0.95 | 1.02 | 2.00 | 4.17 |
| Earnings per share, diluted (SEK) ¹⁾ | -0.07 | 0.94 | 1.01 | 1.98 | 4.13 |
| Ratios | | | | | |
| Days sales outstanding | | | 122 | 113 | 87 |
| Inventory turnover days | 86 | 75 | 79 | 72 | 64 |
| Payable days | 56 | 51 | 56 | 55 | 53 |
| Exchange rates used in the consolidation ²⁾ | | | | | |
| SEK/EUR- closing rate | | | 9.63 | 9.40 | 9.17 |
| SEK/USD- closing rate | | | 8.62 | 8.38 | 8.40 |
| Other | | | | | |
| Regional inventory, end of period | 18,777 | 18,413 | 18,777 | 18,413 | 15,453 |
| Export sales from Sweden | 22,589 | 26,921 | 73,640 | 82,885 | 117,486 |

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

²⁾ Translation method changed from 2015. Monthly rates used to translate transactions are available on www.ericsson.com/thecompany/investors

NUMBER OF EMPLOYEES

| End of period | 2016 | | | | 2015 | | |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|
| | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| North America | 12,229 | 13,838 | 14,081 | 14,548 | 14,669 | 14,975 | 15,156 |
| Latin America | 9,592 | 9,616 | 9,836 | 10,412 | 10,754 | 10,823 | 10,970 |
| Northern Europe & Central Asia | | | | | | | |
| ¹⁾ | 19,759 | 20,177 | 20,167 | 20,700 | 20,953 | 21,441 | 21,556 |

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| | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Western & Central Europe | 13,574 | 13,727 | 12,100 | 12,220 | 12,042 | 12,400 | 12,575 |
| Mediterranean | 13,110 | 12,957 | 12,906 | 12,702 | 12,748 | 12,925 | 13,363 |
| Middle East | 3,479 | 3,573 | 3,608 | 3,639 | 3,634 | 3,717 | 3,813 |
| Sub Saharan Africa | 2,167 | 2,347 | 2,377 | 2,301 | 2,306 | 2,389 | 2,442 |
| India | 22,340 | 22,541 | 22,424 | 21,999 | 21,343 | 21,353 | 21,215 |
| North East Asia | 13,434 | 13,547 | 13,623 | 13,706 | 13,782 | 13,104 | 13,488 |
| South East Asia & Oceania | 4,113 | 4,184 | 4,178 | 4,054 | 4,009 | 4,056 | 4,128 |
| Total | 113,797 | 116,507 | 115,300 | 116,281 | 116,240 | 117,183 | 118,706 |
| <i>¹⁾ Of which in Sweden</i> | <i>15,872</i> | <i>16,190</i> | <i>16,290</i> | <i>17,041</i> | <i>17,242</i> | <i>17,560</i> | <i>17,569</i> |

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RESTRUCTURING CHARGES BY FUNCTION

| Isolated quarters, SEK million | Q3 | 2016 | | | 2015 | | |
|-------------------------------------|---------------|---------------|-------------|-------------|-------------|---------------|-------------|
| | | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Cost of sales | -546 | -461 | -328 | -282 | -351 | -1,157 | -484 |
| Research and development expenses | -529 | -422 | -257 | -305 | -547 | -1,118 | -51 |
| Selling and administrative expenses | -190 | -138 | -47 | -117 | -80 | -469 | -79 |
| Total | -1,265 | -1,021 | -632 | -704 | -978 | -2,744 | -614 |

| Year to date, SEK million | Jan-Sep | 2016 | | | 2015 | | |
|-------------------------------------|---------------|---------------|-------------|---------------|---------------|---------------|-------------|
| | | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Cost of sales | -1,335 | -789 | -328 | -2,274 | -1,992 | -1,641 | -484 |
| Research and development expenses | -1,208 | -679 | -257 | -2,021 | -1,716 | -1,169 | -51 |
| Selling and administrative expenses | -375 | -185 | -47 | -745 | -628 | -548 | -79 |
| Total | -2,918 | -1,653 | -632 | -5,040 | -4,336 | -3,358 | -614 |

RESTRUCTURING CHARGES BY SEGMENT

| Isolated quarters, SEK million | Q3 | 2016 | | | 2015 | | |
|---------------------------------------|---------------|---------------|-------------|-------------|-------------|---------------|-------------|
| | | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | -609 | -607 | -295 | -259 | -565 | -1,842 | -173 |
| Global Services | -598 | -346 | -315 | -213 | -358 | -691 | -419 |
| <i>Of which Professional Services</i> | <i>-475</i> | <i>-273</i> | <i>-237</i> | <i>-60</i> | <i>-316</i> | <i>-175</i> | <i>-140</i> |
| <i>Of which Network Rollout</i> | <i>-123</i> | <i>-73</i> | <i>-78</i> | <i>-153</i> | <i>-42</i> | <i>-516</i> | <i>-279</i> |
| Support Solutions | -35 | -68 | -22 | -230 | -37 | -194 | -19 |
| Modems | | | | 1 | -1 | -12 | -3 |
| Unallocated | -23 | | | -3 | -17 | -5 | |
| Total | -1,265 | -1,021 | -632 | -704 | -978 | -2,744 | -614 |

| Year to date, SEK million | Jan-Sep | 2016 | | | 2015 | | |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | -1,511 | -902 | -295 | -2,839 | -2,580 | -2,015 | -173 |
| Global Services | -1,259 | -661 | -315 | -1,681 | -1,468 | -1,110 | -419 |
| <i>Of which Professional Services</i> | <i>-985</i> | <i>-510</i> | <i>-237</i> | <i>-691</i> | <i>-631</i> | <i>-315</i> | <i>-140</i> |
| <i>Of which Network Rollout</i> | <i>-274</i> | <i>-151</i> | <i>-78</i> | <i>-990</i> | <i>-837</i> | <i>-795</i> | <i>-279</i> |
| Support Solutions | -125 | -90 | -22 | -480 | -250 | -213 | -19 |
| Modems | | | | -15 | -16 | -15 | -3 |

| | | | | | | | | |
|--------------|---------------|---------------|-------------|---------------|---------------|---------------|-------------|--|
| Unallocated | -23 | | | -25 | -22 | -5 | | |
| Total | -2,918 | -1,653 | -632 | -5,040 | -4,336 | -3,358 | -614 | |

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