

ERICSSON LM TELEPHONE CO

Form 6-K

July 20, 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**

**July 20, 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THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED WITH OR FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION.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: **July 20, 2016**

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## SECOND QUARTER

## REPORT 2016, AS ADJUSTED FOR INCORPORATION BY REFERENCE

Stockholm, July 19, 2016

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

Sales as reported decreased by -11% YoY. Sales, adjusted for comparable units and currency\*, decreased by -7% YoY. Mobile broadband sales continued to decline particularly in markets impacted by a weak macro-economic environment.

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Sales grew in South East Asia and Oceania. 4G sales in Mainland China and Networks sales in North America were stable.

3

The current sales trends and business mix are expected to prevail for the second half of the year.

3

Gross margin declined to 32.3% (33.2%) YoY, mainly due to a larger share of mobile broadband coverage business with lower hardware margins, and a higher share of services business.

3

Operating margin decreased to 5.1% (5.9%) YoY, mainly due to negative revaluation effects of currency hedge contracts and a lower gross margin, partly offset by lower operating expenses and restructuring charges.

4

Further actions are initiated to reduce cost, targeting a new annual run rate of operating expenses, excluding restructuring charges, of SEK 53 b. in the second half of 2017.

3

Cash flow from operating activities was SEK -0.7 (3.1) b. Cash flow from operating activities for the first six months was SEK -3.1 (-2.8) b. Full-year cash conversion target of more than 70% remains.

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SEK b.	Q2 2016	Q2 2015	YoY change	Q1 2016	QoQ change	6 months 2016	6 months 2015
Net sales	54.1	60.7	-11%	52.2	4%	106.3	114.2
<i>Sales growth adj. for comparable units and currency *</i>			-7%		6%	-4%	-6%
Gross margin	32.3%	33.2%		33.3%		32.8%	34.2%
<i>Gross margin excluding restructuring charges *</i>	33.2%	35.1%		33.9%		33.6%	35.7%
Operating income	2.8	3.6	-22%	3.5	-20%	6.2	5.7
<i>Operating income excluding restructuring charges *</i>	3.8	6.3	-40%	4.1	-8%	7.9	9.1
Operating margin	5.1%	5.9%		6.7%		5.9%	5.0%
<i>Operating margin excluding restructuring charges *</i>	7.0%	10.4%		7.9%		7.4%	7.9%
Net income	1.6	2.1	-26%	2.1	-26%	3.7	3.6
EPS diluted, SEK	0.48	0.64	-25%	0.60	-20%	1.08	1.04

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EPS (Non-IFRS), SEK <sup>1)</sup> *	0.83	1.45	-43%	0.87	-5%	1.70	2.22
Cash flow from operating activities	-0.7	3.1	-123%	-2.4	-70%	-3.1	-2.8
Net cash, end of period <sup>2)</sup> *	21.0	28.0	-25%	36.5	-43%	21.0	28.0

- 1) EPS, diluted, excl. amortizations and write-downs of acquired intangible assets, and excluding restructuring charges.
- 2) The definition of Net cash is changed to exclude post-employment benefits, see accounting policies.
- \* Non-IFRS financial measures are reconciled to the most directly reconcilable line items in the financial statements at the end of this report.

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### **CEO COMMENTS**

The negative industry trends from the first quarter have intensified impacting demand for mobile broadband, especially in markets with a weak macro-economic environment. We are delivering on ongoing cost reduction activities. However, in light of market development, management has, with the support of the Board of Directors, initiated significant actions to further reduce cost.

### **Business**

Sales declined by -11% YoY. Sales, adjusted for comparable units and currency\*, declined by -7%. Mobile broadband sales continued to decline particularly in markets impacted by a weak macro-economic environment such as Brazil, Russia and the Middle East. In Europe, completion of mobile broadband projects in 2015 continued to have a negative effect on sales growth YoY. 4G sales in Mainland China were stable YoY as the fast pace of deployments continued.

Network sales in North America were stable YoY driven by continued mobile broadband capacity investments. Global Services sales declined in North America as activities in Professional Services were lower.

The transition from 3G to 4G continued primarily in parts of Asia, contributing to solid sales growth in region South East Asia and Oceania.

Sales in the targeted growth areas were 20% of total sales and grew by 5% in the quarter in constant currencies. We continue to focus on increasing software sales and recurrent business to improve profitability over time.

In the strategic partnership with Cisco we have engaged in more than 200 customer opportunities, spanning all major geographies. To date more than 30 deals have been closed forming a good start to reach the targeted sales of USD 1 b. for 2018.

The current sales trends and business mix are expected to prevail for the second half of the year.

### **Profitability**

Actions have been implemented to restore Global Services profitability, primarily to rightsize the service delivery operations. Losses in Network Rollout have been significantly reduced and the operating margin, excluding restructuring charges, for Professional Services has gradually improved to 10% in the quarter.

The Networks business was impacted by lower sales and an increased share of coverage business with a lower hardware margin. The margin decline for Support Solutions was mainly due to lower OSS and BSS software sales.

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

Profitability declined sequentially mainly due to lower IPR licensing revenues. IPR licensing revenues in the quarter were SEK 2.2 b., representing current IPR licensing contract portfolio. Revenues in Q1 2016 were SEK 3.8 b. and included certain one-time items.

We are delivering on ongoing cost reduction activities. Operating expenses, excluding restructuring charges\*, have been reduced by SEK 2.1 b. to SEK 14.0 (16.1) b. YoY, mainly as a result of actions related to the global cost and efficiency program.

### **Actions to further reduce cost**

To manage the lower demand for mobile broadband investments, a set of significant actions has been initiated to further drive efficiency improvements and reduce cost.

The cost and efficiency program targeting savings of SEK 9 b. during 2017, is progressing according to plan. In addition, we will reduce R&D investments in IP and capture efficiency gains from the new company structure. Together, these activities are expected to reduce the annual run rate of operating expenses, excluding restructuring charges, to SEK 53 b. in the second half of 2017. This is to be compared with SEK 63 b. for full-year 2014 and equates to double the previously targeted savings in operating expenses.

The new company structure was implemented as of July 1 to accelerate strategy implementation, to mirror customer ways of working and increase end-to-end accountability for business owners. The new structure will also support cost reductions and efficiency improvements, including removal of existing duplications within product development.

Given current industry trends, we will intensify our activities to reduce cost of sales and adapt our operations to a weaker mobile broadband market.

We will focus on maintaining a strong net cash position through structural improvements in working capital and profitability. In addition, the capital expenditure level will decline as the investments in the global ICT centers have peaked.

Our Networked Society strategy comprises three key elements; leverage of our installed base, investments in new revenue base for sustainable profitable growth (targeted growth areas) and generation of strong cash flow enabling long-term investments and securing a strong balance sheet. Digitalization creates new opportunities with both existing and new customers and I am confident that our strategy and the actions we now take will create future value for our shareholders.

### **Hans Vestberg**

President and CEO

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## FINANCIAL HIGHLIGHTS

SEK b.	Q2 2016	Q2 2015	YoY change	Q1 2016	QoQ change	6 months 2016	6 months 2015
Net sales	54.1	60.7	-11%	52.2	4%	106.3	114.2
<i>Of which Networks</i>	26.8	31.2	-14%	25.8	4%	52.6	57.6
<i>Of which Global Services</i>	24.5	26.4	-7%	23.0	6%	47.5	50.3
<i>Of which Support Solutions</i>	2.9	3.1	-7%	3.4	-15%	6.2	6.2
<i>Of which Modems</i>		0.0					0.1
Gross income	17.5	20.1	-13%	17.4	1%	34.9	39.1
Gross margin (%)	32.3%	33.2%		33.3%		32.8%	34.2%
Research and development expenses	-7.4	-9.9	-25%	-7.5	-1%	-14.9	-18.4
Selling and administrative expenses	-7.1	-7.8	-8%	-6.7	6%	-13.8	-14.9
Other operating income and expenses	-0.2	1.1	-122%	0.3	-184%	0.0	-0.2
Operating income	2.8	3.6	-22%	3.5	-20%	6.2	5.7
Operating margin	5.1%	5.9%		6.7%		5.9%	5.0%
<i>for Networks</i>	6%	8%		11%		8%	5%
<i>for Global Services</i>	6%	6%		3%		4%	7%
<i>for Support Solutions</i>	-15%	-8%		7%		-3%	-3%
<i>for Modems</i>							
Financial net	-0.5	-0.5	0%	-0.5	13%	-1.0	-0.6
Taxes	-0.7	-0.9	-26%	-0.9	-26%	-1.6	-1.5
Net income	1.6	2.1	-26%	2.1	-26%	3.7	3.6
<i>Restructuring charges</i>	-1.0	-2.7	-63%	-0.6	62%	-1.7	-3.4

**SECOND QUARTER COMMENTS****Net sales**

Sales as reported decreased by -11% YoY. Sales, adjusted for comparable units and currency\*, decreased by -7%.

Segment Networks sales declined YoY mainly due to lower mobile broadband sales in markets with a weak macro-economic environment. A further delayed spectrum auction in India and completion of major projects in Europe in 2015 impacted mobile broadband sales negatively YoY. Sales in Mainland China declined YoY due to lower 3G sales. 4G sales in Mainland China were stable YoY with continued fast pace of deployments. Sales continued to grow in South East Asia, driven by large mobile broadband deployment projects. Sales in North America remained stable YoY.

Sales in Segment Global Services declined YoY, impacted by currency. Despite growth in Consulting and Systems Integration, Professional Services sales declined due to lower Managed Services sales following the re-scoping and exiting of specific contracts. Network Rollout sales continued to decline YoY due to lower mobile broadband activities.

Sales in Support Solutions decreased YoY due to lower sales in OSS and BSS partly because of lower software licensing sales in transformation projects. Sales increased in TV & Media, driven by compression business. Since the

acquisition of Envivio last year, Ericsson offers both hardware and software compression.

Sales increased slightly QoQ partly offset by lower IPR licensing revenues.

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

### **Gross margin**

Gross margin declined YoY mainly due to a larger share of mobile broadband coverage business with lower hardware margins and a higher share of services business.

Gross margin declined sequentially, mainly due to lower IPR licensing revenues and a higher share of services sales, partly offset by improved Global Services margins in both Professional Services and Network Rollout.

IPR licensing revenues in the quarter were SEK 2.2 b., representing current IPR licensing contract portfolio. Revenues were SEK 3.8 b. in Q1, 2016, and included certain one-time items.

### **Cost and efficiency program and restructuring charges**

The cost and efficiency program, with the target to achieve net annual savings of SEK 9 b. during 2017 relative to 2014, is progressing according to plan. Total savings remains equally distributed between cost of sales and operating expenses.

In addition, the company will capture efficiency gains from the new company structure as well as reduce R&D investments in IP. The annual run rate for operating expenses, excluding restructuring charges, is thereby expected to decline to SEK 53 b. in the second half of 2017. This is to be compared with SEK 63 b. for full-year 2014.

Given current industry trends, the company will also intensify its activities to reduce cost of sales and adapt our operations to a weaker mobile broadband market.

The estimate for total restructuring charges in 2016 remains at SEK 4-5 b.



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### **Operating expenses**

Operating expenses decreased YoY, mainly in R&D expenses due to savings related to the cost and efficiency program and lower restructuring charges. Lower amortization of intangible assets and increased capitalized development expenses also contributed to lower expenses. Operating expenses, excluding restructuring charges, were SEK 14.0. (16.1) b.

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

Other operating income and expenses declined YoY due to negative revaluation effects of currency hedge contracts in the quarter and a capital gain of SEK 0.3 b. in Q2, 2015. The revaluation and realization effects of currency hedge contracts were SEK -0.5 b. This is to be compared with SEK 0.2 b. in Q1, 2016 and SEK 0.6 b. in Q2, 2015.

The main part of the currency hedge contract balance is in USD. The SEK weakened against the USD between June 30, 2016 (SEK/USD rate 8.45) and March 31, 2016 (SEK/USD rate 8.11).

### **Operating income**

Operating income decreased YoY, due to lower sales, negative revaluation effects of currency hedge contracts and a lower gross margin. The decrease in operating income was partly offset by lower operating expenses and lower restructuring charges.

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

### **Financial net**

Financial net remained stable at SEK -0.5 b., both YoY and QoQ. Financial income improved YoY and QoQ while financial expenses increased YoY and QoQ. The financial net was impacted by low interest rates and depreciated local currencies in certain markets.

### **Taxes**

The tax rate was stable YoY and QoQ.

### **Net income and EPS**

Net income and EPS diluted decreased YoY and QoQ, following lower operating income. EPS diluted was SEK 0.48 (0.64) and EPS (Non-IFRS)\* was SEK 0.83 (1.45).

### **Employees**

The number of employees on June 30, 2016 was 116,507 compared with 115,300 on March 31, 2016. Almost 4,000 employees left the company in the quarter. The acquisition of Ericpol, adding 2,300 resources, contributed to the total increase in the headcount of the company.

## **Modems**

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

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

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## REGIONAL SALES

SEK b.	Second quarter 2016			Total	Change	
	Global Networks	Global Services	Support Solutions		YoY	QoQ
North America	6.6	6.1	0.7	13.4	-8%	2%
Latin America	2.1	2.3	0.2	4.5	-10%	12%
Northern Europe and Central Asia	1.0	1.1	0.1	2.1	-18%	-6%
Western and Central Europe	1.7	2.6	0.1	4.5	-13%	13%
Mediterranean	2.1	3.1	0.2	5.4	-8%	26%
Middle East	1.9	2.8	0.3	4.9	-24%	38%
Sub-Saharan Africa	1.0	1.2	0.1	2.3	-13%	9%
India	1.0	1.3	0.2	2.4	-20%	-10%
North East Asia	4.2	1.8	0.1	6.0	-13%	8%
South East Asia and Oceania	3.2	2.0	0.1	5.3	8%	1%
Other <sup>1)</sup>	2.0	0.3	0.8	3.2	-6%	-41%
<b>Total</b>	<b>26.8</b>	<b>24.5</b>	<b>2.9</b>	<b>54.1</b>	<b>-11%</b>	<b>4%</b>

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

**North America**

Networks sales in North America were stable YoY driven by continued mobile broadband capacity investments. Sales in Professional Services were lower, YoY, following strong sales in Q2, 2015, and lower CDMA services sales. However, deployments in new spectrum, preparation for 5G and ICT transformation are high on customer agendas.

**Latin America**

Mobile broadband investments continued to decline, impacted by a weak macro-economic environment and local currency depreciation. However, mobile broadband investments in Mexico continued to increase YoY.

**Northern Europe and Central Asia**

Lower Networks sales were driven by further declining mobile broadband investments, especially in Russia. The macro-economic environment remains challenging in the region. Professional Services sales continued to develop favorably with growth in Managed Services in the Nordics.

**Western and Central Europe**

Completion of mobile broadband projects in 2015 continued to have a negative effect on sales growth YoY. Operators continued to focus on investments in capacity and quality in order to improve end-user experience. Professional

Services sales remained stable.

### **Mediterranean**

Sales declined due to lower investments in mobile broadband infrastructure as major projects were completed. However there is an increasing share of capacity investments. ICT transformation of TV & Media developed favorably.

### **Middle East**

Networks sales declined mainly due to completion of a deployment project in Ethiopia and continued macro-economic challenges, resulting in lower mobile broadband investments. The services business developed favorably, mainly in the Professional Services domains.

### **Sub-Saharan Africa**

Sales declined mainly due to a lower level of investments, impacted by lower oil prices, and the ramping down of a sizable mobile broadband project in South Africa. Floating of the Nigerian currency resulted in a devaluation of more than 40% in June, also impacting investment decisions negatively. However, mobile broadband sales increased somewhat as certain markets are investing in network improvements and introduction of 4G.

### **India**

A further delayed spectrum auction slowed investments, impacting sales YoY negatively. Professional Services continued to progress positively.

### **North East Asia**

4G deployments in Mainland China continued as projected, while core network deployments increased QoQ. In Korea and Japan, investments continued on lower levels as the initial 4G networks were built with high density as well as good capacity.

### **South East Asia and Oceania**

Sales growth was primarily driven by mobile broadband investments in Thailand and Indonesia, moving from coverage projects to capacity business. Professional Services developed favorably, mainly driven by Managed Services.

### **Other**

IPR licensing revenues in the quarter were SEK 2.2 b., representing the current IPR licensing contract portfolio. Revenues in Q1 2016 were SEK 3.8 b. and included certain one-time items.

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## SEGMENT RESULTS

**NETWORKS**

SEK b.	Q2 2016	Q2 2015	YoY change	Q1 2016	QoQ change	6 months 2016	6 months 2015
Net sales	26.8	31.2	-14%	25.8	4%	52.6	57.6
Operating income	1.6	2.4	-35%	2.7	-42%	4.3	3.0
Operating margin	6%	8%		11%		8%	5%
<i>Restructuring charges</i>	-0.6	-1.8	-67%	-0.3	106%	-0.9	-2.0

**Net sales**

Sales as reported decreased by -14% YoY mainly due to lower mobile broadband sales in markets with a weak macro-economic environment. A further delayed spectrum auction in India slowed investments and completion of major projects in Europe in 2015 impacted mobile broadband sales negatively YoY. Sales in Mainland China declined YoY due to lower 3G sales. 4G sales in Mainland China were stable YoY with continued fast pace of deployments. Sales continued to grow in South East Asia, driven by large mobile broadband deployment projects. Sales in North America remained stable YoY.

Sales increased QoQ, primarily driven by growth in regions North East Asia and Mediterranean, but was partly offset by a sales decline in region Northern Europe and Central Asia as well as in India.

Deliveries of Ericsson Radio System started at the end of 2015 and will scale to larger volumes during the latter part of this year.

The company has engaged in more than 200 customer opportunities, together with Cisco, spanning all major geographies, except for Brazil where regulatory approval is still pending. To date more than 30 deals have been closed.

**Operating income and margin**

Operating income and margin decreased YoY mainly due to lower sales volumes, a higher share of coverage business with lower hardware margins and negative revaluation effects of currency hedge contracts. Operating expenses declined significantly YoY, mainly as a result of the ongoing cost and efficiency program.

Sequentially, operating income and margin decreased due to lower IPR licensing revenues.

The effects of revaluation and realization of currency hedge contracts were negative at SEK -0.4 (0.5) b. in the quarter. In Q1, 2016, the effects of currency hedge contracts were positive at SEK 0.2 b.



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SEK b.	Q2 2016	Q2 2015	YoY change	Q1 2016	QoQ change	6 months 2016	6 months 2015
Net sales	24.5	26.4	-7%	23.0	6%	47.5	50.3
<i>Of which Professional Services</i>	18.7	20.0	-7%	17.9	4%	36.6	38.1
<i>Of which Managed Services</i>	7.3	8.2	-10%	7.4	0%	14.7	15.7
<i>Of which Network Rollout</i>	5.8	6.4	-9%	5.1	14%	10.9	12.2
Operating income	1.5	1.6	-10%	0.6	130%	2.1	3.3
<i>Of which Professional Services</i>	1.7	2.4	-30%	1.3	30%	3.0	4.5
<i>Of which Network Rollout</i>	-0.2	-0.8	-75%	-0.6	-70%	-0.8	-1.2
Operating margin	6%	6%		3%		4%	7%
<i>for Professional Services</i>	9%	12%		7%		8%	12%
<i>for Network Rollout</i>	-3%	-12%		-13%		-8%	-10%
<i>Restructuring charges</i>	-0.3	-0.7	-50%	-0.3	10%	-0.7	-1.1

**Net sales**

Sales as reported decreased -7% YoY. Despite growth in Consulting and Systems Integration, Professional Services sales declined with lower Managed Services sales following the re-scoping and exiting of specific contracts. In North America, Professional Services sales declined YoY following strong sales in Q2, 2015, and lower CDMA services sales.

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

Sales increased by 6% QoQ following a seasonally weak Q1.

**Operating income and margin**

Operating income decreased slightly YoY in Global Services with reduced profitability in Professional Services while Network Rollout operating income improved.

Sequentially, Global Services operating income improved significantly driven by rightsizing activities in service delivery operations and performance improvement in transformation projects. However, Professional Services margin continues to be negatively impacted by a large number of systems integration transformation projects in a start-up phase. QoQ, the operating margin, excluding restructuring charges, gradually improved to 10% (9%).

Network Rollout operating margin, excluding restructuring charges, improved QoQ to -2% (-11%). Activities continued in order to adapt the service delivery operations to current mobile broadband project volumes.

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	Q2 2016	Q1 2016	Full year 2015
Number of signed Managed Services contracts	20	21	101
Number of signed significant consulting & systems integration contracts <sup>1)</sup>	18	13	66

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

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SEK b.	Q2 2016	Q2 2015	YoY change	Q1 2016	QoQ change	6 months 2016	6 months 2015
Net sales	2.9	3.1	-7%	3.4	-15%	6.2	6.2
Operating income	-0.4	-0.2	75%	0.2	-277%	-0.2	-0.2
Operating margin	-15%	-8%		7%		-3%	-3%
<i>Restructuring charges</i>	-0.1	-0.2	-65%	0.0		-0.1	-0.2

**Net sales**

Sales as reported decreased -7% YoY due to lower sales in OSS and BSS partly because of lower software licensing sales in transformation projects. The underlying demand for OSS and BSS remains as operators continue to prioritize digital transformation and cost optimization. A multi-country, multi-year BSS infrastructure contract with Vimpelcom, estimated to generate more than USD 1 b. in net sales, was signed in the quarter. The overall transition of business models continues, from traditional telecom software licenses to recurrent license revenue deals.

Sales increased in TV & Media, driven by compression business. Since the acquisition of Envivio last year, Ericsson now offers both hardware and software compression.

Sales declined QoQ, following strong IPR licensing revenues in the previous quarter.

**Operating income and margin**

Operating income and margin declined YoY, mainly due to lower OSS and BSS software sales. Lower restructuring charges partly offset the decline in operating income.

Operating income declined sequentially, mainly as an effect of lower IPR licensing revenues.

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## CASH FLOW

SEK b.	Q2 2016	Q2 2015	Q1 2016
Net income reconciled to cash	1.3	3.4	3.6
Changes in operating net assets	-2.0	-0.3	-6.0
Cash flow from operating activities	-0.7	3.1	-2.4
Cash flow from investing activities	1.4	7.0	-1.0
Cash flow from financing activities	-9.3	-10.6	0.1
<b>Net change in cash and cash equivalents</b>	<b>-7.0</b>	<b>-2.3</b>	<b>-4.3</b>
<i>Cash conversion (%) *</i>	<i>-54%</i>	<i>90%</i>	<i>-65%</i>

Cash flow from operating activities was SEK -0.7 (3.1) b. The decline was due to increased inventory and large tax payments. The inventory increase is an effect of lower demand for mobile broadband investments in markets negatively impacted by a weak macro-economic environment and the inventory is expected to decrease in the second half of 2016. Year to date, cash flow from operating activities was SEK -3.1 (-2.8) b. The full-year cash conversion target of more than 70% remains.

Cash outlays related to restructuring charges were SEK -0.6 b. in the quarter.

Cash flow from investing activities was impacted by investments in property, plant and equipment of SEK -1.5 b., mainly related to continued investments in Global ICT centers. The capital expenditure level will decline as the investments in the Global ICT centers have peaked.

Development expenses of SEK -1.1 b. were capitalized. Several small acquisitions, such as Ericpol and NodePrime, were made in the quarter.

Cash flow from financing activities amounted to SEK -9.3 b. and were impacted by the dividend payout of SEK -12.1 b.

	Jan-Jun 2016	Jan-Mar 2016	Jan-Dec 2015	Jan-Sep 2015	Jan-Jun 2015
Working capital KPIs, number of days					
Sales outstanding (target: <90)	115	108	87	113	112
Inventory (target: <65)	81	80	64	72	74
Payable (target: >60)	59	58	53	55	57

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



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## FINANCIAL POSITION

	Jun 30 2016	Jun 30 2015	Mar 31 2016
SEK b.			
+ Short-term investments	19.8	20.8	25.1
+ Cash and cash equivalents	28.9	33.0	35.9
<b>Gross cash</b>	<b>48.8</b>	<b>53.8</b>	<b>61.0</b>
- Interest bearing liabilities	27.8	25.8	24.5
<b>Net cash *</b>	<b>21.0</b>	<b>28.0</b>	<b>36.5</b>
Equity	136.7	136.7	145.6
Total assets	277.4	278.9	280.3
Capital turnover (times) *	1.1	1.3	1.1
Return on capital employed (%) *	6.5%	6.9%	6.9%
Equity ratio (%) *	49.3%	49.0%	52.0%
Return on equity (%) *	5.0%	5.9%	5.4%

Net cash decreased by SEK -15.5 b. in the quarter mainly as a result of the dividend payout of SEK -12.1 b., increased working capital and large tax payments. The net cash position was SEK 21.0 b.

Post-employment benefits were SEK 27.3 b., compared with SEK 25.7 b. on March 31, 2016, following lower discount rates.

The average maturity of long-term borrowings as of June 30, 2016, was 4.3 years, compared with 5.3 years 12 months earlier.

In the quarter, the revolving Credit Facility of USD 2.0 b. was extended with one year. The facility will expire in 2021.

**Debt maturity profile, Parent Company**

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

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### OTHER INFORMATION

#### **Ericsson resolved on an acquisition offer for C shares for LTV 2016**

On April 28, 2016, Ericsson announced that, in accordance with the resolution by the Annual General Meeting 2016, the company expands its treasury stock in order to provide shares for the Long-Term Variable Compensation Program (LTV) 2016 for employees in Ericsson.

The Board of Directors of Ericsson has resolved, by virtue of an authorization given by the Annual General Meeting on April 13, 2016, to direct an acquisition offer to all holders of C shares to acquire these shares. Acquisition shall be made during the period May 5 - May 20, 2016. Payment for acquired shares shall be made in cash with SEK 5 per share.

The offer is part of the financing of Ericsson's Long-Term Variable Compensation Program 2016 and includes all 26,100,000 C shares which Ericsson has previously decided to issue to AB Industrivärden and Investor AB for the program.

AB Industrivärden and Investor AB have informed Ericsson that they intend to accept the offer.

Once all 26,100,000 C shares have been acquired by Ericsson, the Board intends to convert them to B shares. After the conversion, the number of B shares in issue will amount to 3,069,395,752. On April 28, 2016, Ericsson held 46,002,257 B shares as treasury stock.

#### **Ericsson's Nomination Committee appointed**

On May 18, 2016, Ericsson announced that the Nomination Committee for the Annual General Meeting (AGM) 2017 had been appointed in accordance with the instruction for the Nomination Committee, resolved by the Annual General Meeting 2012. The Nomination Committee consists of: Petra Hedengran, Investor AB; Johan Held, Afa Försäkring, Leif Johansson, the Chairman of the Board of Directors, Bengt Kjell, AB Industrivärden and Handelsbankens Pensionsstiftelse; and Anders Oscarsson, AMF - Försäkring och Fonder. Petra Hedengran is the Chairman of the Nomination Committee.

#### **Increase in the total number of shares and votes in Telefonaktiebolaget LM Ericsson**

On May 31, 2016, Ericsson confirmed that the company's share capital amounts to SEK 16,655,758,678 and the total number of shares is 3,331,151,735, of which 261,755,983 are A shares and 3,069,395,752 are B shares. The total number of votes is 568,695,558.2, of which class A shares represent 261,755,983 votes and class B shares represent 306,939,575.2 votes. The increase in the number of shares and votes is caused by the company's recent issue of 26,100,000 C shares, which shares have subsequently been repurchased by the company and converted into B shares, by virtue of a conversion clause in the articles of association. This is in accordance with the resolution by the Annual General Meeting 2016 to expand the treasury stock as part of the financing of Ericsson's Long-Term Variable Compensation Program (LTV) 2016. On May 31, 2016, the company held 69,331,486 shares as treasury stock.

#### **Voluntary request from US Authorities**

On June 17, 2016, after speculation in media regarding alleged corruption investigations, Ericsson issued a statement commenting on the media reports. Ericsson clarified that in March 2013, it received a voluntary request from US Authorities to answer a number of questions relating to Ericsson's operations, confirmed by the company already in 2013. Ericsson cooperates with US Authorities to answer these and additional questions. Ericsson has not provided any detailed comments on the request or the questions as such, or if they relate to specific regions or countries, but confirms that it relates to Ericsson's anti-corruption program and questions related to the Foreign Corrupt Practices Act.

### **Greek investigation into contract from 1999**

On June 19, 2016, Ericsson gave an update about an investigation in Greece relating to a defense agreement signed in 1999 in which Ericsson Microwave Systems delivered an airborne radar system to Greece. Ericsson commented publicly on this case more than two years ago, including in conjunction with its Annual General Meeting. Ericsson Microwave Systems was sold by Ericsson in 2006. Recently, as part of the ongoing investigation, seven current and former Ericsson employees have been served with summons in preliminary investigation proceedings by a Greek prosecutor involving allegations of possible corruption. Ericsson has not been contacted by any authority in this matter.

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

During the second quarter of 2016, Ericsson made sales of telecommunications infrastructure related products and services in Iran to MTN Irancell, Mobile Communication Company of Iran and to Hiweb, which generated gross revenues (reported as net sales) of approximately SEK 677 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 second quarter of 2016 would be substantially lower than such gross revenues. During the second quarter of 2016, Eghtesad Novin Bank (local bank in Iran) issued a letter of credit to one of Ericsson's banks outside Iran, 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.

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

Date for next report: October 21, 2016



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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	Apr-Jun 2015	Change	2016	Jan-Jun 2015	Change
Net sales	54,108	60,671	-11%	106,317	114,191	-7%
Cost of sales	-36,613	-40,536	-10%	-71,432	-75,092	-5%
<b>Gross income</b>	<b>17,495</b>	<b>20,135</b>	<b>-13%</b>	<b>34,885</b>	<b>39,099</b>	<b>-11%</b>
Gross margin (%)	32.3%	33.2%		32.8%	34.2%	
Research and development expenses	-7,405	-9,896	-25%	-14,890	-18,383	-19%
Selling and administrative expenses	-7,109	-7,765	-8%	-13,829	-14,896	-7%
<b>Operating expenses</b>	<b>-14,514</b>	<b>-17,661</b>	<b>-18%</b>	<b>-28,719</b>	<b>-33,279</b>	<b>-14%</b>
Other operating income and expenses	-230	1,059		43	-181	
Shares in earnings of JV and associated companies	12	27		29	54	
<b>Operating income</b>	<b>2,763</b>	<b>3,560</b>	<b>-22%</b>	<b>6,238</b>	<b>5,693</b>	<b>10%</b>
Financial income	139	-238		50	446	
Financial expenses	-666	-290		-1,043	-1,030	
<b>Income after financial items</b>	<b>2,236</b>	<b>3,032</b>	<b>-26%</b>	<b>5,245</b>	<b>5,109</b>	<b>3%</b>
Taxes	-670	-909		-1,573	-1,532	
<b>Net income</b>	<b>1,566</b>	<b>2,123</b>	<b>-26%</b>	<b>3,672</b>	<b>3,577</b>	<b>3%</b>
Net income attributable to:						
Stockholders of the Parent Company	1,587	2,094		3,553	3,413	
Non-controlling interests	-21	29		119	164	
Other information						
Average number of shares, basic (million)	3,261	3,247		3,259	3,246	
Earnings per share, basic (SEK) <sup>1)</sup>	0.49	0.64		1.09	1.05	
Earnings per share, diluted (SEK) <sup>1)</sup>	0.48	0.64		1.08	1.04	

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

## STATEMENT OF COMPREHENSIVE INCOME

SEK million	Apr-Jun		Jan-Jun	
	2016	2015	2016	2015

<b>Net income</b>	<b>1,566</b>	<b>2,123</b>	<b>3,672</b>	<b>3,577</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurements of defined benefits pension plans incl. asset ceiling	-941	-1,562	-4,443	-4,773
Tax on items that will not be reclassified to profit or loss	235	610	1,188	1,304
<b>Items that may be reclassified to profit or loss</b>				
Cash flow hedges				
Gains/losses arising during the period				
Reclassification adjustments for gains/losses included in profit or loss				
Revaluation of other investments in shares and participations				
Fair value remeasurement			-4	181
Changes in cumulative translation adjustments	1,981	-2,626	848	1,783
Share of other comprehensive income on JV and associated companies	10	-92	-366	-96
Tax on items that may be reclassified to profit or loss				
<b>Total other comprehensive income, net of tax</b>	<b>1,285</b>	<b>-3,670</b>	<b>-2,777</b>	<b>-1,601</b>
<b>Total comprehensive income</b>	<b>2,851</b>	<b>-1,547</b>	<b>895</b>	<b>1,976</b>
Total comprehensive income attributable to:				
Stockholders of the Parent Company	2,843	-1,515	750	1,790
Non-controlling interest	8	-32	145	186

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## CONSOLIDATED BALANCE SHEET

SEK million	Jun 30 2016	Mar 31 2016	Dec 31 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Capitalized development expenses	7,064	6,349	5,493
Goodwill	41,913	40,316	41,087
Intellectual property rights, brands and other intangible assets	8,035	8,400	9,316
Property, plant and equipment	16,856	16,127	15,901
Financial assets			
Equity in JV and associated companies	787	851	1,210
Other investments in shares and participations	1,178	1,090	1,275
Customer finance, non-current	2,315	1,663	1,739
Other financial assets, non-current	5,061	4,997	5,634
Deferred tax assets	14,451	14,117	13,183
	<b>97,660</b>	<b>93,910</b>	<b>94,838</b>
<b>Current assets</b>			
Inventories	34,660	32,252	28,436
Trade receivables	68,461	66,701	71,069
Customer finance, current	2,532	2,346	2,041
Other current receivables	25,297	24,105	21,709
Short-term investments	19,846	25,077	26,046
Cash and cash equivalents	28,931	35,934	40,224
	<b>179,727</b>	<b>186,415</b>	<b>189,525</b>
<b>Total assets</b>	<b>277,387</b>	<b>280,325</b>	<b>284,363</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stockholders' equity	135,746	144,699	146,525
Non-controlling interest in equity of subsidiaries	945	945	841
	<b>136,691</b>	<b>145,644</b>	<b>147,366</b>
<b>Non-current liabilities</b>			
Post-employment benefits	27,323	25,715	22,664
Provisions, non-current	245	158	176
Deferred tax liabilities	2,036	2,098	2,472
Borrowings, non-current	18,164	22,110	22,744

Other non-current liabilities	2,030	1,834	1,851
	<b>49,798</b>	<b>51,915</b>	<b>49,907</b>
<b>Current liabilities</b>			
Provisions, current	3,142	3,374	3,662
Borrowings, current	9,653	2,414	2,376
Trade payables	23,709	21,549	22,389
Other current liabilities	54,394	55,429	58,663
	<b>90,898</b>	<b>82,766</b>	<b>87,090</b>
<b>Total equity and liabilities</b>	<b>277,387</b>	<b>280,325</b>	<b>284,363</b>
<i>Of which interest-bearing liabilities</i>	<i>27,817</i>	<i>24,524</i>	<i>25,120</i>
<i>Of which net cash *</i>	<i>20,960</i>	<i>36,487</i>	<i>41,150</i>
Assets pledged as collateral	2,523	2,513	2,526
Contingent liabilities	1,003	918	922

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



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## CONSOLIDATED STATEMENT

## OF CASH FLOWS

SEK million	Apr-Jun		Jan-Jun		Jan-Dec
	2016	2015	2016	2015	2015
<b>Operating activities</b>					
Net income	1,566	2,123	3,672	3,577	13,673
Adjustments to reconcile net income to cash					
Taxes	-3,410	-1,360	-4,618	-3,281	-2,835
Earnings/dividends in JV and associated companies	73	49	57	27	130
Depreciation, amortization and impairment losses	2,104	2,579	4,201	5,260	10,206
Other	988	22	1,640	966	3,110
	<b>1,321</b>	<b>3,413</b>	<b>4,952</b>	<b>6,549</b>	<b>24,284</b>
<b>Changes in operating net assets</b>					
Inventories	-1,667	383	-5,879	-3,636	-366
Customer finance, current and non-current	-816	405	-1,067	147	824
Trade receivables	-564	3,630	2,844	5,667	7,000
Trade payables	2,457	-1,400	1,840	-3,068	-2,676
Provisions and post-employment benefits	218	1,685	204	1,519	544
Other operating assets and liabilities, net	-1,662	-5,038	-5,979	-10,000	-9,013
	<b>-2,034</b>	<b>-335</b>	<b>-8,037</b>	<b>-9,371</b>	<b>-3,687</b>
<b>Cash flow from operating activities</b>	<b>-713</b>	<b>3,078</b>	<b>-3,085</b>	<b>-2,822</b>	<b>20,597</b>
<b>Investing activities</b>					
Investments in property, plant and equipment	-1,572	-2,424	-3,046	-4,791	-8,338
Sales of property, plant and equipment	50	1,075	94	1,150	1,301
Acquisitions/divestments of subsidiaries and other operations, net	-480	-169	-588	-227	-2,200
Product development	-1,099	-843	-2,307	-1,137	-3,302
Other investing activities	-890	-280	-155	-162	-543
Short-term investments	5,355	9,678	6,368	10,077	5,095
<b>Cash flow from investing activities</b>	<b>1,364</b>	<b>7,037</b>	<b>366</b>	<b>4,910</b>	<b>-7,987</b>
<b>Cash flow before financing activities</b>	<b>651</b>	<b>10,115</b>	<b>-2,719</b>	<b>2,088</b>	<b>12,610</b>
<b>Financing activities</b>					
Dividends paid	-12,067	-11,035	-12,100	-11,060	-11,337
Other financing activities	2,761	431	2,855	1,330	627
<b>Cash flow from financing activities</b>	<b>-9,306</b>	<b>-10,604</b>	<b>-9,245</b>	<b>-9,730</b>	<b>-10,710</b>
Effect of exchange rate changes on cash	1,652	-1,860	671	-384	-2,664

<b>Net change in cash and cash equivalents</b>	<b>-7,003</b>	<b>-2,349</b>	<b>-11,293</b>	<b>-8,026</b>	<b>-764</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>35,934</b>	<b>35,311</b>	<b>40,224</b>	<b>40,988</b>	<b>40,988</b>
<b>Cash and cash equivalents, end of period</b>	<b>28,931</b>	<b>32,962</b>	<b>28,931</b>	<b>32,962</b>	<b>40,224</b>

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## CONSOLIDATED STATEMENT

## OF CHANGES IN EQUITY

SEK million	Jan-Jun		Jan-Dec
	2016	2015	2015
<b>Opening balance</b>	<b>147,366</b>	<b>145,309</b>	<b>145,309</b>
Total comprehensive income	895	1,976	12,362
Sale/repurchase of own shares	-74	88	169
Stock issue (net)	131		
Stock purchase plan	472	414	865
Dividends paid	-12,099	-11,060	-11,337
Transactions with non-controlling interests		-2	-2
<b>Closing balance</b>	<b>136,691</b>	<b>136,725</b>	<b>147,366</b>

## CONSOLIDATED INCOME STATEMENT

## - ISOLATED QUARTERS

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

<b>Net income</b>	<b>1,566</b>	<b>2,106</b>	<b>6,978</b>	<b>3,118</b>	<b>2,123</b>	<b>1,454</b>
Net income attributable to:						
Stockholders of the Parent Company	1,587	1,966	7,056	3,080	2,094	1,319
Non-controlling interests	-21	140	-78	38	29	135
Other information						
Average number of shares, basic (million)	3,261	3,258	3,254	3,251	3,247	3,244
Earnings per share, basic (SEK) <sup>1)</sup>	0.49	0.60	2.17	0.95	0.64	0.41
Earnings per share, diluted (SEK) <sup>1)</sup>	0.48	0.60	2.15	0.94	0.64	0.40

<sup>1)</sup> 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		
	Q2	Q1	Q4	Q3	Q2	Q1
<b>Operating activities</b>						
Net income	1,566	2,106	6,978	3,118	2,123	1,454
Adjustments to reconcile net income to cash						
Taxes	-3,410	-1,208	395	51	-1,360	-1,921
Earnings/dividends in JV and associated companies	73	-16	-33	136	49	-22
Depreciation, amortization and impairment losses	2,104	2,097	2,521	2,425	2,579	2,681
Other	988	652	1,092	1,052	22	944
	<b>1,321</b>	<b>3,631</b>	<b>10,953</b>	<b>6,782</b>	<b>3,413</b>	<b>3,136</b>
<b>Changes in operating net assets</b>						
Inventories	-1,667	-4,212	3,496	-226	383	-4,019
Customer finance, current and non-current	-816	-251	302	375	405	-258
Trade receivables	-564	3,408	2,754	-1,421	3,630	2,037
Trade payables	2,457	-617	886	-494	-1,400	-1,668
Provisions and post-employment benefits	218	-14	-673	-302	1,685	-166
Other operating assets and liabilities, net	-1,662	-4,317	4,141	-3,154	-5,038	-4,962
	<b>-2,034</b>	<b>-6,003</b>	<b>10,906</b>	<b>-5,222</b>	<b>-335</b>	<b>-9,036</b>
<b>Cash flow from operating activities</b>	<b>-713</b>	<b>-2,372</b>	<b>21,859</b>	<b>1,560</b>	<b>3,078</b>	<b>-5,900</b>
<b>Investing activities</b>						
Investments in property, plant and equipment	-1,572	-1,474	-1,740	-1,807	-2,424	-2,367
Sales of property, plant and equipment	50	44	92	59	1,075	75
Acquisitions/divestments of subsidiaries and other operations, net	-480	-108	-945	-1,028	-169	-58
Product development	-1,099	-1,208	-1,183	-982	-843	-294
Other investing activities	-890	735	-418	37	-280	118
Short-term investments	5,355	1,013	-8,613	3,631	9,678	399
<b>Cash flow from investing activities</b>	<b>1,364</b>	<b>-998</b>	<b>-12,807</b>	<b>-90</b>	<b>7,037</b>	<b>-2,127</b>
<b>Cash flow before financing activities</b>	<b>651</b>	<b>-3,370</b>	<b>9,052</b>	<b>1,470</b>	<b>10,115</b>	<b>-8,027</b>
<b>Financing activities</b>						
Dividends paid	-12,067	-33		-277	-11,035	-25
Other financing activities	2,761	94	-669	-34	431	899
<b>Cash flow from financing activities</b>	<b>-9,306</b>	<b>61</b>	<b>-669</b>	<b>-311</b>	<b>-10,604</b>	<b>874</b>

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Effect of exchange rate changes on cash	1,652	-981	-2,109	-171	-1,860	1,476
<b>Net change in cash and cash equivalents</b>	<b>-7,003</b>	<b>-4,290</b>	<b>6,274</b>	<b>988</b>	<b>-2,349</b>	<b>-5,677</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>35,934</b>	<b>40,224</b>	<b>33,950</b>	<b>32,962</b>	<b>35,311</b>	<b>40,988</b>
<b>Cash and cash equivalents, end of period</b>	<b>28,931</b>	<b>35,934</b>	<b>40,224</b>	<b>33,950</b>	<b>32,962</b>	<b>35,311</b>

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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 June 30, 2016 and IFRS as endorsed by the EU.

***Amendments applied as from the first quarter of 2016***

**Net Cash**

The definition of Net Cash has been adjusted in order to more clearly represent Ericsson's ability to meet financial obligations. Post-employment benefits will no longer be included in the calculation of Net Cash. Net Cash for prior periods has been recalculated using the new definition. The revised definition is as follows:

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

**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 will be classified as available-for-sale. There were no purchases made in the first six months of 2016. The impact of this change on the financial statements will be disclosed in the interim report following the first purchase of bonds.

***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		
	Q2	Q1	Q4	Q3	Q2	Q1
Networks	26,765	25,820	37,304	28,817	31,163	26,436
Global Services	24,481	23,018	30,670	27,055	26,392	23,901
<i>Of which Professional Services</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>7,330</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>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	2,862	3,371	5,594	3,289	3,092	3,074
Modems					24	109
<b>Total</b>	<b>54,108</b>	<b>52,209</b>	<b>73,568</b>	<b>59,161</b>	<b>60,671</b>	<b>53,520</b>

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

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

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

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

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

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## SALES GROWTH ADJUSTED FOR

## COMPARABLE UNITS AND CURRENCY

Sequential change, percent	2016			2015		
	Q2	Q1	Q4	Q3	Q2	Q1
Networks	6%	-30%	30%	-6%	16%	-28%
Global Services	8%	-23%	17%	2%	10%	-26%
Support Solutions	-13%	-39%	70%	7%	-3%	-31%
<b>Total *</b>	<b>6%</b>	<b>-28%</b>	<b>26%</b>	<b>-2%</b>	<b>12%</b>	<b>-28%</b>

Isolated quarter, year over year change, percent	2016			2015		
	Q2	Q1	Q4	Q3	Q2	Q1
Networks	-11%	-3%	0%	-15%	-9%	-9%
Global Services	-3%	0%	-4%	-2%	-2%	-2%
Support Solutions	-6%	5%	22%	-8%	-13%	-11%
<b>Total *</b>	<b>-7%</b>	<b>-1%</b>	<b>-1%</b>	<b>-9%</b>	<b>-6%</b>	<b>-6%</b>

Year to date, year over year change, percent	2016			2015		
	Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	-7%	-3%	-8%	-11%	-9%	-9%
Global Services	-2%	0%	-2%	-2%	-2%	-2%
Support Solutions	0%	5%	0%	-10%	-12%	-11%
<b>Total *</b>	<b>-4%</b>	<b>-1%</b>	<b>-5%</b>	<b>-7%</b>	<b>-6%</b>	<b>-6%</b>

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

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## OPERATING INCOME

## BY SEGMENT BY QUARTER

Isolated quarters, SEK million	2016			2015		
	Q2	Q1	Q4	Q3	Q2	Q1
Networks	1,593	2,724	7,154	2,764	2,435	590
Global Services	1,484	644	2,530	2,364	1,640	1,681
<i>Of which Professional Services</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>-192</i>	<i>-649</i>	<i>-182</i>	<i>-22</i>	<i>-763</i>	<i>-428</i>
Support Solutions	-421	238	1,668	-6	-240	82
Modems			1	-1	7	0
Unallocated <sup>1)</sup>	107	-131	-318	-44	-282	-220
<b>Total</b>	<b>2,763</b>	<b>3,475</b>	<b>11,035</b>	<b>5,077</b>	<b>3,560</b>	<b>2,133</b>

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

<sup>1)</sup> 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		
	Q2	Q1	Q4	Q3	Q2	Q1
Networks	6%	11%	19%	10%	8%	2%
Global Services	6%	3%	8%	9%	6%	7%
<i>Of which Professional Services</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>-3%</i>	<i>-13%</i>	<i>-2%</i>	<i>0%</i>	<i>-12%</i>	<i>-7%</i>

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Support Solutions Modems	-15%	7%	30%	0%	-8%	3%
<b>Total</b>	<b>5%</b>	<b>7%</b>	<b>15%</b>	<b>9%</b>	<b>6%</b>	<b>4%</b>

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

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## NET SALES

## BY REGION BY QUARTER

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

<sup>1)</sup> Of which in Sweden 477 1,113 972 1,135 598 1,091

<sup>2)</sup> Of which in EU 9,635 9,229 12,644 10,584 11,453 10,904

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

<sup>1)</sup> Of which in Sweden -57% 15% -14% 90% -45% 4%

<sup>2)</sup> Of which in EU 4% -27% 19% -8% 5% -24%

Year-over-year change, percent	2016			2015		
	Q2	Q1	Q4	Q3	Q2	Q1

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

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## NET SALES

## BY REGION BY QUARTER, CONT.

Year to date, SEK million	2016			2015		
	Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
North America	26,608	13,182	58,261	41,179	26,824	12,246
Latin America	8,582	4,040	21,357	15,251	9,641	4,574
Northern Europe & Central Asia <sup>1) 2)</sup>	4,315	2,222	10,649	7,802	5,282	2,726
Western & Central Europe <sup>2)</sup>	8,419	3,953	19,732	14,412	9,872	4,741
Mediterranean <sup>2)</sup>	9,723	4,296	23,310	16,339	10,869	4,982
Middle East	8,488	3,567	22,849	16,760	11,032	4,517
Sub Saharan Africa	4,433	2,120	10,349	7,502	4,811	2,158
India	5,109	2,683	13,381	10,209	6,580	3,531
North East Asia	11,620	5,579	28,237	19,321	12,973	6,030
South East Asia & Oceania	10,471	5,199	19,235	13,906	9,156	4,259
Other <sup>1) 2)</sup>	8,549	5,368	19,560	10,671	7,151	3,756
<b>Total</b>	<b>106,317</b>	<b>52,209</b>	<b>246,920</b>	<b>173,352</b>	<b>114,191</b>	<b>53,520</b>
<sup>1)</sup> Of which in Sweden	1,590	1,113	3,796	2,824	1,689	1,091
<sup>2)</sup> Of which in EU	18,864	9,229	45,585	32,941	22,357	10,904

Year to date, year-over-year change, percent	2016			2015		
	Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
North America	-1%	8%	7%	-1%	-2%	0%
Latin America	-11%	-12%	-5%	-5%	-5%	-3%
Northern Europe & Central Asia <sup>1) 2)</sup>	-18%	-18%	-14%	-6%	3%	12%
Western & Central Europe <sup>2)</sup>	-15%	-17%	0%	6%	10%	8%
Mediterranean <sup>2)</sup>	-11%	-14%	1%	5%	6%	4%
Middle East	-23%	-21%	7%	16%	32%	17%
Sub Saharan Africa	-8%	-2%	18%	22%	30%	19%
India	-22%	-24%	74%	91%	97%	108%
North East Asia	-10%	-7%	2%	5%	15%	23%
South East Asia & Oceania	14%	22%	21%	28%	29%	24%
Other <sup>1) 2)</sup>	20%	43%	33%	7%	8%	15%
<b>Total</b>	<b>-7%</b>	<b>-2%</b>	<b>8%</b>	<b>8%</b>	<b>12%</b>	<b>13%</b>
<sup>1)</sup> Of which in Sweden	-6%	2%	-8%	-9%	-16%	9%
<sup>2)</sup> Of which in EU	-16%	-15%	1%	7%	12%	12%

## TOP 5 COUNTRIES IN SALES



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Country As percentage of net sales	Q2		Jan-Jun	
	2016	2015	2016	2015
United States	26%	24%	26%	24%
China	8%	9%	9%	8%
India	5%	5%	5%	6%
United Kingdom	3%	3%	3%	3%
Italy	3%	3%	3%	3%

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## NET SALES

## BY REGION BY SEGMENT

SEK million	Q2 2016				Jan-Jun 2016			
	Networks	Global Services	Support Solutions	Total	Networks	Global Services	Support Solutions	Total
North America	6,606	6,080	740	13,426	12,947	12,158	1,503	26,608
Latin America	2,096	2,257	189	4,542	4,119	4,072	391	8,582
Northern Europe & Central Asia	970	1,071	52	2,093	2,312	1,878	125	4,315
Western & Central Europe	1,711	2,633	122	4,466	3,006	5,155	258	8,419
Mediterranean	2,114	3,114	199	5,427	3,573	5,804	346	9,723
Middle East	1,871	2,777	273	4,921	3,278	4,673	537	8,488
Sub Saharan Africa	989	1,217	107	2,313	1,858	2,304	271	4,433
India	991	1,259	176	2,426	2,270	2,487	352	5,109
North East Asia	4,203	1,756	82	6,041	7,747	3,673	200	11,620
South East Asia & Oceania	3,189	2,010	73	5,272	6,374	3,938	159	10,471
Other	2,025	307	849	3,181	5,101	1,357	2,091	8,549
<b>Total</b>	<b>26,765</b>	<b>24,481</b>	<b>2,862</b>	<b>54,108</b>	<b>52,585</b>	<b>47,499</b>	<b>6,233</b>	<b>106,317</b>
Share of Total	50%	45%	5%	100%	49%	45%	6%	100%

Sequential change, percent	Q2 2016			
	Networks	Global Services	Support Solutions	Total
North America	4%	0%	-3%	2%
Latin America	4%	24%	-6%	12%
Northern Europe & Central Asia	-28%	33%	-29%	-6%
Western & Central Europe	32%	4%	-10%	13%
Mediterranean	45%	16%	35%	26%
Middle East	33%	46%	3%	38%
Sub Saharan Africa	14%	12%	-35%	9%
India	-23%	3%	0%	-10%
North East Asia	19%	-8%	-31%	8%
South East Asia & Oceania	0%	4%	-15%	1%
Other	-34%	-71%	-32%	-41%
<b>Total</b>	<b>4%</b>	<b>6%</b>	<b>-15%</b>	<b>4%</b>

Year over year change, percent	Q2 2016			
	Networks	Global Services	Support Solutions	Total
North America	-1%	-14%	-13%	-8%
Latin America	-7%	-14%	4%	-10%
Northern Europe & Central Asia	-37%	13%	-22%	-18%
Western & Central Europe	-10%	-15%	-16%	-13%
Mediterranean	-12%	-5%	4%	-8%
Middle East	-54%	29%	-15%	-24%
Sub Saharan Africa	-20%	-3%	-31%	-13%
India	-46%	18%	11%	-20%
North East Asia	-12%	-10%	-58%	-13%
South East Asia & Oceania	27%	-12%	-28%	8%
Other	3%	-55%	17%	-6%
<b>Total</b>	<b>-14%</b>	<b>-7%</b>	<b>-7%</b>	<b>-11%</b>

Year over year change, percent	Jan-Jun 2016			
	Networks	Global Services	Support Solutions	Total
North America	10%	-9%	-8%	-1%
Latin America	-6%	-16%	-2%	-11%
Northern Europe & Central Asia	-31%	5%	-11%	-18%
Western & Central Europe	-15%	-14%	-18%	-15%
Mediterranean	-17%	-7%	2%	-11%
Middle East	-49%	14%	6%	-23%
Sub Saharan Africa	-7%	-5%	-31%	-8%
India	-42%	15%	-27%	-22%
North East Asia	-12%	-7%	-21%	-10%
South East Asia & Oceania	29%	-3%	-12%	14%
Other	24%	-3%	38%	20%
<b>Total</b>	<b>-9%</b>	<b>-6%</b>	<b>1%</b>	<b>-7%</b>

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## PROVISIONS

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

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

## INFORMATION ON INVESTMENTS

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

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

**Depreciation, amortization and impairment losses**

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

<b>Total</b>	<b>2,104</b>	<b>2,097</b>	<b>2,521</b>	<b>2,425</b>	<b>2,579</b>	<b>2,681</b>
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1) Including reclassification

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## OTHER INFORMATION

SEK million	Apr-Jun		Jan-Jun		Jan-Dec
	2016	2015	2016	2015	2015
<b>Number of shares and earnings per share</b>					
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)	69	57	69	57	49
Number of shares outstanding, basic, end of period (million)	3,262	3,248	3,262	3,248	3,256
Numbers of shares outstanding, diluted, end of period (million)	3,298	3,281	3,298	3,281	3,289
Average number of treasury shares (million)	55	58	55	59	56
Average number of shares outstanding, basic (million)	3,261	3,247	3,259	3,246	3,249
Average number of shares outstanding, diluted (million) <sup>1)</sup>	3,297	3,280	3,296	3,278	3,282
Earnings per share, basic (SEK)	0.49	0.64	1.09	1.05	4.17
Earnings per share, diluted (SEK) <sup>1)</sup>	0.48	0.64	1.08	1.04	4.13
Earnings per share (Non-IFRS), diluted (SEK) <sup>2)</sup> *	0.83	1.45	1.70	2.22	6.06
<b>Ratios</b>					
Days sales outstanding			115	112	87
Inventory turnover days	83	74	81	74	64
Payable days	56	52	59	57	53
Equity ratio (%) *			49.3%	49.0%	51.8%
Return on equity (%) *	4.5%	5.9%	5.0%	4.9%	9.3%
Return on capital employed (%) *	6.0%	6.9%	6.5%	6.5%	11.6%
Capital turnover (times) *	1.1	1.3	1.1	1.2	1.3
Cash conversion (%) *	-54.0%	90.2%	-62.3%	-43.1%	84.8%
<b>Exchange rates used in the consolidation <sup>3)</sup></b>					
SEK/EUR- closing rate			9.42	9.22	9.17
SEK/USD- closing rate			8.45	8.24	8.40
<b>Other</b>					
Regional inventory, end of period	18,749	18,778	18,749	18,778	15,453
Export sales from Sweden	27,797	29,813	51,051	55,964	117,486

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

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

<sup>3)</sup> Translation method changed from 2015. Monthly rates used to translate transactions are available on [www.ericsson.com/thecompany/investors](http://www.ericsson.com/thecompany/investors)

\*

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

## NUMBER OF EMPLOYEES

End of period	2016			2015		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
North America	13,838	14,081	14,548	14,669	14,975	15,156
Latin America	9,616	9,836	10,412	10,754	10,823	10,970
Northern Europe & Central Asia <sup>1)</sup>	20,177	20,167	20,700	20,953	21,441	21,556
Western & Central Europe	13,727	12,100	12,220	12,042	12,400	12,575
Mediterranean	12,957	12,906	12,702	12,748	12,925	13,363
Middle East	3,573	3,608	3,639	3,634	3,717	3,813
Sub Saharan Africa	2,347	2,377	2,301	2,306	2,389	2,442
India	22,541	22,424	21,999	21,343	21,353	21,215
North East Asia	13,547	13,623	13,706	13,782	13,104	13,488
South East Asia & Oceania	4,184	4,178	4,054	4,009	4,056	4,128
<b>Total</b>	<b>116,507</b>	<b>115,300</b>	<b>116,281</b>	<b>116,240</b>	<b>117,183</b>	<b>118,706</b>
<i><sup>1)</sup> Of which in Sweden</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	2016			2015		
	Q2	Q1	Q4	Q3	Q2	Q1
Cost of sales	-461	-328	-282	-351	-1,157	-484
Research and development expenses	-422	-257	-305	-547	-1,118	-51
Selling and administrative expenses	-138	-47	-117	-80	-469	-79
<b>Total</b>	<b>-1,021</b>	<b>-632</b>	<b>-704</b>	<b>-978</b>	<b>-2,744</b>	<b>-614</b>

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

## RESTRUCTURING CHARGES BY SEGMENT

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

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

&amp;