

ERICSSON LM TELEPHONE CO

Form 6-K

October 23, 2017

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

the Securities Exchange Act of 1934

October 23, 2017

Commission File Number

000-12033

LM ERICSSON TELEPHONE COMPANY

(Translation of registrant's name into English)

Torshamnsgatan 21, Kista

SE-164 83, Stockholm, Sweden

(Address of principal executive offices)

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

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

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

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THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED WITH OR FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION.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 & Chief Legal Officer

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

Date: **October 23, 2017**

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THIRD QUARTER 2017,

AS ADJUSTED FOR INCORPORATION BY REFERENCE

Stockholm, October 20, 2017

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

Reported sales decreased by -6% YoY. **3**

Networks sales declined by -4% YoY. **7**

Gross margin was 25.4% (28.3%). **4**

Operating income was SEK -4.8 (0.3) b. Higher amortization than capitalization of development expenses and higher recognition than deferral of hardware costs had a negative impact on operating income of SEK -1.5 (0.5) b. **4**

As communicated in the second quarter report 2017, the company identified an increased risk of further market and customer project adjustments. In the quarter provisions and adjustments were made impacting operating income by SEK -2.3 b., with limited effect on cash flow. **3**

As a result of the ongoing cost reductions, restructuring charges of SEK -2.8 (-1.3) b. were taken in the quarter. This included a write-down of SEK -1.6 b. related to the decision to close and divest the ICT center in Canada. **4**

Cash flow from operating activities was SEK 0.0 (-2.3) b. **11**

SEK b.	Q3 2017	Q3 2016	YoY change	Q2 2017	QoQ change	9 months 2017	9 months 2016
Net sales	47.8	51.1	-6%	49.9	-4%	144.1	157.4
Gross margin	25.4%	28.3%		27.9%		22.6%	31.4%
Operating income	-4.8	0.3		-1.2		-18.4	6.6
Operating margin	-10.0%	0.7%		-2.5%		-12.7%	4.2%
Net income	-4.3	-0.2		-1.0		-16.2	3.5
EPS diluted, SEK	-1.34	-0.07		-0.30		-4.93	1.01
Cash flow from operating activities	0.0	-2.3	-99%	0.0		-1.6	-5.4

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

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CEO COMMENTS

We continue to execute on our focused business strategy. While more remains to be done we are starting to see some encouraging improvements in our performance despite a continued challenging market. While losses continue in IT & Cloud, we see increased stability in product roadmaps and projects.

The general market conditions continue to be tough. We also saw growth returning in several countries as operators are increasing their investments in network capacity. Sales in Mainland China declined as the market is normalizing following a period of significant 4G deployments, representing more than 60% of global 4G volumes in the industry. We have managed to increase our LTE market shares in Mainland China to position Ericsson in 5G. However, this will have a dilutive effect on gross margin in Mainland China in Q4 2017.

Reported operating income was negative at SEK -4.8 (0.3) b. in the quarter. Operating income was negatively impacted by higher amortization than capitalization of development expenses and higher recognition than deferral of hardware costs of SEK -1.5 (0.5) b. As described in the second quarter report, we have reduced capitalization of development expenses and deferral of hardware costs due to technology and portfolio shifts.

As communicated in the Q2 2017 report we have identified an increased risk of further market and customer project adjustments, considering the current market environment and our focused strategy. In total, the negative impact on results was then estimated to be SEK 3-5 b. until mid-2018. In the quarter, costs of SEK 2.3 b. impacted the result, with limited effect on cash flow. With current visibility, we believe we will be in the higher end of the range of the risk estimate.

Restructuring charges in the quarter were SEK -2.8 b. including a write-down of SEK -1.6 b. related to one of our global ICT centers, as rapid technology development allows us to consolidate test activities to the two remaining centers. For full-year 2017 we expect restructuring charges to be approximately SEK 9-10 b.

In the quarter, we have accelerated cost and efficiency measures, which are key in our focused strategy. Activities to reduce the workforce have been initiated in many markets. In the quarter, there was a net reduction of 3,000 employees despite 1,100 new recruitments in R&D. We expect efficiency improvements to accelerate in the fourth quarter to reach an annual run-rate effect of at least SEK 10 b. by mid-2018.

The Ericsson Radio System portfolio, accounting for 55% of total radio volumes year to date, is proving competitive, contributing both to improved earnings and a stronger market position.

The work to focus the managed services business and to review under-performing contracts continues. To date we have either exited, renegotiated or transformed 13 out of the 42 contracts, resulting in an annualized profit improvement of SEK 0.4 b.

In IT & Cloud, sales declined and losses increased in the quarter. The increase in QoQ losses is largely due to higher amortization than capitalization of development expenses of SEK -0.7 (0.4) b.

Our turn-around plan builds on stability, profitability and growth in that order. The initial focus has been on stabilizing both product roadmaps and challenging contracts. We have made good progress in the quarter. However, securing deliveries on large transformation projects puts pressure on gross margin in the near term.

The IT & Cloud business is of strategic importance as our customers are preparing for 5G and will digitalize their operations and invest in a future network architecture based on software-defined logic.

We now expand our focus to improve profitability through increased efficiency in service delivery. In addition, we will scale the software part of the business mix and increase the level of pre-integration services, which will lead to a higher gross margin but lower services sales. Positive effects on gross margin are expected in 2018.

Despite continued decline in legacy product sales there is good traction in our new media portfolio with several important wins in the quarter. We have accelerated our efficiency measures and continue to pursue strategic opportunities for this business.

Managing our cash is a top priority.

We remain fully committed to our focused business strategy. We continue to invest to secure technology leadership and year to date we have recruited more than 1,000 R&D employees in Networks. Customers give positive feedback on both our long-term strategy and on our current 5G-ready portfolio.

Börje Ekholm

President and CEO

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FINANCIAL HIGHLIGHTS

SEK b.	Q3 2017	Q3 2016	YoY change	Q2 2017	QoQ change	9 months 2017	9 months 2016
Net sales	47.8	51.1	-6%	49.9	-4%	144.1	157.4
<i>Of which Networks</i>	35.5	37.0	-4%	36.8	-4%	107.2	117.2
<i>Of which IT & Cloud</i>	10.3	11.7	-12%	10.9	-6%	30.7	33.0
<i>Of which Other</i>	2.0	2.3	-13%	2.2	-8%	6.2	7.1
Gross income	12.1	14.5	-16%	13.9	-13%	32.5	49.3
Gross margin (%)	25.4%	28.3%		27.9%		22.6%	31.4%
Research and development expenses	-10.5	-7.9	34%	-8.4	26%	-28.0	-22.7
Selling and administrative expenses	-6.8	-6.2	10%	-7.1	-3%	-23.7	-20.1
Other operating income and expenses	0.4	0.0		0.2	74%	0.8	0.0
Operating income	-4.8	0.3		-1.2		-18.4	6.6
Operating margin	-10.0%	0.7%		-2.5%		-12.7%	4.2%
<i>for Networks</i>	1%	8%		7%		2%	11%
<i>for IT & Cloud</i>	-41%	-15%		-26%		-52%	-16%
<i>for Other</i>	-48%	-32%		-44%		-77%	-22%
Financial net	-0.3	-0.6	-47%	0.1		-0.7	-1.6
Taxes	0.8	0.1		0.2		2.9	-1.5
Net income	-4.3	-0.2		-1.0		-16.2	3.5
Restructuring charges	-2.8	-1.3	123%	-1.5	86%	-6.1	-2.9

Net sales

Sales as reported decreased by -6% YoY. Networks sales declined by -4% YoY, partly due to the earlier communicated rescoped managed services contract in North America effective as from Q4, 2016. Sales in IT & Cloud and Other declined YoY by -12% and -13% respectively, mainly due to the continued decline in legacy product sales.

Sequential sales were down -4%, impacted by lower exchange rate between USD and SEK and by seasonality.

Total sales of Managed Services as defined in 2016, including Broadcast Services, were SEK 6.2 (7.2) b. The decline is mainly an effect of the earlier communicated rescoped managed services contract in North America. The definition of Managed Services will be adjusted by Jan 1, 2018, at the latest, to mirror the new organization.

IPR licensing revenues

IPR licensing revenues declined to SEK 1.9 (2.0) b. YoY and from SEK 2.0 b. QoQ, due to a weaker USD to SEK.

Provisions and customer project adjustments

As announced in the Q2 report, 2017, the company identified a risk of further market and customer project adjustments, which would have a negative impact on results, of an estimated SEK 3-5 b., up to mid-2018. In the

quarter, SEK 2.3 b. of provisions and adjustments were made, of which SEK 2.1 b. had no impact on cash outflow. The SEK 2.3 b. relates mainly to consequences of strategy implementation and changes in market environment in certain countries. The lion's share relates to ongoing negotiations of customer contract executions and SEK 0.9 b. is for impairment of trade receivables.

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Table of Contents**Gross margin**

Gross margin declined to 25.4% (28.3%) due to the additional provisions and adjustments made in the quarter.

Gross margin decreased sequentially to 25.4% from 27.9% due to the additional provisions and adjustments.

Higher recognition than deferral of hardware costs had a negative effect on Networks gross margin of SEK -0.4 (0.1) b. In Q2 there was no negative effect of deferral of hardware costs. For more details, see section Consequences of technology and portfolio shifts.

Operating expenses

Operating expenses increased to SEK 17.4 (14.1) b. mainly due to SEK 1.3 b. of higher restructuring charges and SEK 0.9 b. of additional provisions and adjustments made in the quarter.

Operating expenses increased sequentially to SEK 17.4 b. from SEK 15.4 b. due to additional provisions and adjustments of SEK 0.9 b. and increased restructuring charges of SEK -2.0 (0.6) b. Higher amortized than capitalized development expenses had a negative QoQ effect of SEK -0.7 b. For more details, see section Consequences of technology and portfolio shifts.

Other operating income and expenses

Other operating income and expenses increased both YoY and QoQ. The main part of the SEK 0.4 b. of other operating income and expenses is related to a gain for the sale of the power modules business of SEK 0.3 b.

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

Revaluation and realization effects of currency hedge contracts, impacted other operating income and expenses with SEK -0.2 b. in Q3 2016.

Consequences of technology and portfolio shifts

Due to technology and portfolio shifts the company is reducing the capitalization of product platforms, software release development expenses and hardware costs. As a consequence, higher amortization than capitalization of development expenses and higher recognition than deferral of hardware costs had a negative impact on operating income of SEK -1.5 (0.5) b. in the quarter. A negative impact on operating income of SEK -1.4 b. is expected in Q4 2017 for the same reason. Full- year impact is expected to be SEK -3 b. for 2018 and SEK -1 to-2 b. for 2019.

IMPACT FROM AMORTIZATION AND CAPITALIZATION OF DEVELOPMENT EXPENSES AND FROM RECOGNITION AND DEFERRAL OF HARDWARE COSTS

SEK b.	Q3 2017	Q3 2016	Q2 2017
Cost of Sales	-0.9	-0.3	-0.4
R&D expenses	-0.6	0.8	0.1

Total impact	-1.5	0.5	-0.3
Restructuring charges			

Restructuring charges were SEK -2.8 (-1.3) b. Restructuring charges in Q2 2017 were SEK -1.5 b. In the quarter the company decided to close and initiate a divestment process for one of its three global ICT centers, the one in Canada, following less need of capacity. This is expected to be completed by the second half of 2018, with an estimated R&D annual run-rate saving of SEK 0.3 b. This resulted in a write-down of property, plant and equipment and the total restructuring charges related to this decision were SEK -1.6 b. in the quarter, with no impact on cash flow.

Restructuring charges for Q4 2017 are estimated to be SEK 3-4 b. For full-year 2017, the total restructuring charges are estimated to be SEK 9-10 b., previously estimated to be in the higher end of the range of SEK 6-8 b.

Operating income

Operating income decreased to SEK -4.8 (0.3) b. negatively impacted by increased restructuring charges of SEK -2.8 (-1.3) b. and by additional provisions and adjustments of SEK -2.3 b. in the quarter. The negative impact was partly off- set by a gain related to the divestment of the power modules business of SEK 0.3 b.

Operating income declined sequentially to SEK -4.8 b. from SEK -1.2 b. due to higher restructuring charges and additional provisions and adjustments made in the quarter.

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Financial net was SEK -0.3 (-0.6) b. In the quarter there were positive revaluation and realization effects of foreign exchange forecast hedging of SEK 0.2 b. The QoQ decline was related to lower currency revaluation effects in Q3 compared with Q2. The SEK strengthened against the USD between June 30, 2017 (SEK/USD rate 8.46) and Sept. 30, 2017 (SEK/USD rate 8.15). The hedge balance is in USD.

Taxes

Taxes were positive in the quarter following the negative income. The tax rate applied is the best estimate for the full year.

Net income and EPS

Net income and EPS diluted decreased YoY and QoQ following the reduced operating income. EPS diluted was SEK -1.34 (-0.07).

Employees

The number of employees on Sept. 30, 2017 was 105,852 - a net reduction of more than 3,000 employees in Q3.

Focused strategy execution

The company has so far identified three indicators to measure the progress of strategy execution. KPIs for cost reduction will be added later.

Area	Activity	Status Q3 2017
Networks	Transition to new Ericsson Radio System	55% (Q2: 49%) (ERS radio unit deliveries out of total, year to date)
IT & Cloud	Growth in sales of new product portfolio	Net sales decline of -5% (Q2: 7%), rolling 12 months
Managed Services	Addressing low-performing contracts	Out of 42 contracts identified, 13 (Q2: 9) have been renegotiated to result in an annualized future profit improvement of SEK 0.4 b. (Q2: SEK 0.1 b.)

As part of the focused business strategy the company divested its power modules business in the quarter. In addition, Francisco Partners completed its acquisition of 16.7% ownership in Ericsson subsidiary iconectiv.

PLANNING ASSUMPTIONS GOING FORWARD**Market related**

In line with previous estimate and that of external sources, the Radio Access Network (RAN) equipment market outlook is estimated to decline by -8% for full-year 2017.

Ericsson related

Focusing the business and addressing low-performing operations in Managed Services, Industry & Society and Network Rollout is expected to reduce full-year sales by up to SEK 10 b. by 2019.

Sequential sales increase between Q3 and Q4 is expected to be lower than normal seasonality (normal +24%) driven by decreased 4G investments levels in Mainland China, primarily impacting Networks.

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

Expanded focus on profitability in IT & Cloud is expected to generate positive effects on gross margin in 2018.

The company aims to increase R&D efficiency. However, to strengthen the technology leadership, R&D expenses will increase primarily in Networks.

Impact of higher amortization than capitalization of development expenses and higher recognition than deferral of hardware costs: Q3 2017 SEK -1.5 b. Estimate for: Q4 2017 SEK -1.4 b., full-year 2018 SEK -3 b., full-year 2019 SEK -1 to -2 b.

Restructuring charges for Q4 2017 are estimated to be SEK 3-4 b.

The earlier estimated risk of market and customer project adjustments of SEK 3-5 b. from July 1, 2017, to June 30, 2018, are now expected to be in the higher end of the range. 30% is estimated to impact cash.

To position Ericsson in 5G in Mainland China, the company has managed to increase its market shares. However, this will have a dilutive effect on gross margin in Mainland China in Q4 2017.

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MARKET AREA SALES

SEK b.	Third quarter 2017				Change	
	IT &			Total	YoY	QoQ
	Networks	Cloud	Other			
South East Asia, Oceania and India	6.3	1.1	0.1	7.5	-3%	-3%
North East Asia	4.1	1.5	0.0	5.6	-9%	-5%
North America	9.6	2.0	0.3	11.9	-10%	-5%
Europe and Latin America	9.6	3.7	0.8	14.1	-6%	-7%
Middle East and Africa	4.3	1.9	0.1	6.2	-1%	4%
Other ¹⁾	1.7	0.1	0.7	2.5	-7%	-5%
Total	35.5	10.3	2.0	47.8	-6%	-4%

1) Market Area Other includes licensing revenues, power modules, mobile broadband modules, Ericsson-LG Enterprise and other businesses.

South East Asia, Oceania and India

Reported sales declined slightly YoY due to currency movements and timing of mobile broadband infrastructure investments. This was partly offset by increased IT & Cloud sales primarily in India.

North East Asia

Sales declined YoY partly due to currency movements. Sales in Mainland China declined due to reduced LTE investments. IT & Cloud sales declined YoY as one customer requested deliveries in Q2, previously planned for Q3. Networks sales in Japan increased.

North America

North America sales declined YoY, due to the earlier communicated rescope managed services contract and weaker currency. Mobile broadband infrastructure sales remained stable, driven by capacity expansions for increased data traffic in the networks. IT & Cloud sales declined slightly, where sales follow project milestones.

Europe and Latin America

Sales declined YoY, primarily driven by lower sales in Latin America despite growth in mobile broadband investments in Brazil. Sales in Europe were stable YoY. Currency movements had a negative impact on sales growth YoY.

Middle East and Africa

Sales were flat YoY, negatively impacted by currency movements and declining sales in Africa. Sales in the Middle East showed growth despite a continued challenging macroeconomic environment.

Other

IPR licensing revenues amounted to SEK 1.9 (2.0) b. impacted by a weaker USD to SEK.

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SEGMENT RESULTS

NETWORKS

SEK b.	Q3 2017	Q3 2016	YoY change	Q2 2017	QoQ change	9 months 2017	9 months 2016
Net sales	35.5	37.0	-4%	36.8	-4%	107.2	117.2
<i>Of which products</i>	19.8	19.2	3%	20.8	-5%	60.0	65.1
<i>Of which IPR licensing revenues</i>	1.5	1.6	-5%	1.6	-2%	4.7	6.4
<i>Of which services</i>	15.7	17.8	-12%	16.1	-2%	47.2	52.1
<i>Sales growth adj. for comparable units and currency</i>			-1%		3%	-11%	
Gross income	9.1	9.9	-8%	10.4	-12%	27.4	35.4
Gross margin	26%	27%		28%		26%	30%
Operating income	0.4	2.8	-87%	2.6	-86%	2.4	13.4
Operating margin	1%	8%		7%		2%	11%
Restructuring charges	-1.5	-0.6	178%	-0.9	67%	-3.9	-1.5

Net sales

Sales as reported declined by -4% YoY due to a decline in network services sales of -12%. The network product sales increased by 3% YoY. The decline in network services sales YoY was due to lower sales of managed services and network rollout. The lower managed services sales was mainly a result of the earlier communicated rescope contract in North America. In addition, both network rollout sales and managed services sales decreased as a consequence of the ongoing work to focus the business and address low performing contracts. Network design and optimization showed good growth.

Reported sales decreased by -4% QoQ.

The new radio portfolio continued to generate business. The Ericsson Radio System (ERS) accounted for 55% of total radio unit deliveries year to date.

The plan is to have fully transitioned the radio unit deliveries to ERS by the end of 2018.

Gross margin

Gross margin declined to 26% (27%) YoY, due to the additional provisions and adjustments. The gross margin increased across all businesses except for managed services.

As earlier communicated, 42 managed services contracts have been identified for exit, renegotiation or transformation, in order to focus the business and improve profitability. Year to date 13 of these contracts have been addressed, resulting in an annualized profit improvement of approximately SEK 0.4 b. going forward.

Gross margin decreased sequentially to 26% from 28% following the additional provisions and adjustments made in the quarter.

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Operating income and margin decreased YoY and QoQ, due to increased restructuring charges and the additional provisions and adjustments made in the quarter. The decrease was partly offset by a gain related to divestment of the power modules business of SEK 0.3 b. R&D expenses, excluding the effect of lower capitalization of development expenses, increased slightly YoY. This is in line with the already communicated focused business strategy.

IMPACT FROM AMORTIZATION AND CAPITALIZATION OF DEVELOPMENT EXPENSES AND FROM RECOGNITION AND DEFERRAL OF HARDWARE COSTS

SEK b.	Q3 2017	Q3 2016	Q2 2017
Cost of Sales	-0.6	-0.1	-0.1
R&D expenses	-0.1	0.1	0.1
Total impact	-0.7	0.0	0.0

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SEK b.	Q3 2017	Q3 2016	YoY change	Q2 2017	QoQ change	9 months 2017	9 months 2016
Net sales	10.3	11.7	-12%	10.9	-6%	30.7	33.0
<i>Of which products</i>	4.7	5.5	-15%	5.1	-8%	13.8	15.6
<i>Of which IPR licensing revenues</i>	0.2	0.2	-5%	0.2	-2%	0.6	0.8
<i>Of which services</i>	5.6	6.2	-10%	5.8	-4%	16.9	17.5
Gross income	2.4	3.8	-38%	2.8	-16%	3.1	11.2
Gross margin	23%	33%		26%		10%	34%
Operating income	-4.2	-1.7	141%	-2.9	46%	-16.1	-5.3
Operating margin	-41%	-15%		-26%		-52%	-16%
Restructuring charges	-1.1	-0.6	75%	-0.5	132%	-1.8	-1.3

Net sales

Sales as reported declined by -12% YoY. Due to the ongoing technology shift in the portfolio, sales of legacy portfolio products continued to decline. Services sales declined following lower activity in large transformation projects.

Sales decreased by -6% QoQ mainly due to currency effects.

Gross margin

Gross margin declined YoY, partly impacted by a sales mix with a higher share of services sales. In addition, the services margin continues to be negatively impacted by ongoing large transformation projects.

Gross margin decreased QoQ, mainly due to reduced services margins in large transformation projects. Focus is on fulfilling customer commitments, which puts pressure on near-term profitability.

Operating income and margin

Operating income decreased YoY impacted by reduced gross margin, lower sales and increased restructuring charges. In addition, due to technology changes, there was a negative impact YoY from higher amortized than capitalized development expenses. This impact was SEK -0.7 b. in Q3 2017, SEK 0.4 b in Q3 2016 and SEK -0.2 b. in Q2 2017. Reductions in operating expenses contributed positively to operating income.

IMPACT FROM AMORTIZATION AND CAPITALIZATION OF DEVELOPMENT EXPENSES

SEK b.	Q3 2017	Q3 2016	Q2 2017
Cost of Sales	-0.3	-0.2	-0.3

R&D expenses	-0.4	0.6	0.1
Total impact	-0.7	0.4	-0.2

Operating income declined QoQ mainly due to increased restructuring charges, lower capitalized development expenses and a reduced gross margin.

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SEK b.	Q3 2017	Q3 2016	YoY change	Q2 2017	QoQ change	9 months 2017	9 months 2016
Net sales	2.0	2.3	-13%	2.2	-8%	6.2	7.1
<i>Of which IPR licensing revenues</i>	0.2	0.2	-5%	0.2	-2%	0.6	0.8
Gross income	0.7	0.8	-13%	0.7	-12%	2.0	2.8
Gross margin	32%	32%		34%		32%	39%
Operating income	-1.0	-0.8	30%	-1.0	2%	-4.8	-1.5
Operating margin	-48%	-32%		-44%		-77%	-22%
Restructuring charges	-0.2	-0.1	107%	-0.1	65%	-0.4	-0.2

The former Media segment is renamed to Other in the external reporting as per Q2 2017.

Net sales

Sales as reported declined by -13% YoY. In addition, sales in Broadcast Services declined due to contract scope changes and renegotiations. The momentum for the next-generation MediaFirst platform continued with an important customer agreement in Japan announced in the quarter. The iconectiv business (number portability solutions) continued to show growth YoY. The UDN (Unified Delivery Network) business reported its initial revenues and a contract with DTV, NTT DOCOMO's content provider entity, was announced in the quarter.

Sales as reported decreased by -8% QoQ, mainly due to currency effects and seasonality.

Gross margin

Gross margin was stable YoY. Gross margin declined QoQ, due to a changed sales mix with a larger share of services.

Operating income and margin

Operating income decreased YoY mainly due to lower capitalization of development expenses of SEK -0.1 (0.1) b., which is a consequence of technology shift. In addition, increased restructuring charges had a negative effect on reported operating income. Continued efficiency improvements in Media Solutions and Broadcast Services contributed positively to operating income.

IMPACT FROM AMORTIZATION AND CAPITALIZATION OF DEVELOPMENT EXPENSES

SEK b.	Q3 2017	Q3 2016	Q2 2017
Cost of Sales			
R&D expenses	-0.1	0.1	-0.1
Total impact	-0.1	0.1	-0.1

Operating income was stable QoQ.

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SEK b.	Q3 2017	Q3 2016	Q2 2017
Net income reconciled to cash	-1.9	1.5	-0.8
Changes in operating net assets	1.9	-3.8	0.8
Cash flow from operating activities	0.0	-2.3	0.0
Cash flow from investing activities	3.3	-2.0	-2.0
Cash flow from financing activities	1.4	-1.5	-8.9
Net change in cash and cash equivalents	4.8	-4.5	-11.5

Operating activities

Cash flow from operating activities was SEK 0.0 b. in the quarter. A negative net income reconciled to cash was fully offset by a positive effect from changes in operating net assets. Cash flow from other operating assets and liabilities was SEK 1.2 b. which was mainly due to increased advance payment from customers.

Cash outlays related to restructuring charges were SEK -1.5 (-0.5) b. in the quarter.

Investing activities

Cash flow from investing activities was positive at SEK 3.3 b. and that of interest-bearing securities was 3.8 b. The power modules business was divested, resulting in SEK 0.5 b. in cash inflow in the quarter. The cash flow effect from capitalized development expenses amounted to SEK -0.1 b. in the quarter, a significant reduction from SEK -0.9 b. a year earlier. Investments in property, plant and equipment are now established at a lower level and the cash flow effect in Q3 was SEK -0.7 b.

Financing activities

Cash flow from financing activities was positive at SEK 1.4 b. driven by increased borrowings of SEK 1.7 b. This relates to a payment the company received from Francisco Partners for a 16.7% ownership in Ericsson's independent subsidiary iconectiv. Due to the structure of the investment, IFRS accounting standards stipulate the main part of the USD 200 million is to be treated as financing, i.e as borrowings and corresponding cash flow from financing activities.

	Jan-Sep 2017	Jan-Jun 2017	Jan-Mar 2017	Jan-Dec 2016	Jan-Sep 2016
Working capital KPIs, number of days					
Sales outstanding (target: <90)	112	114	117	95	122
Inventory (target: <65)	77	78	73	69	79
Payable (target: >60)	60	60	58	56	56

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FINANCIAL POSITION

	Sep 30 2017	Sep 30 2016	Jun 30 2017
SEK b.			
+ Cash and cash equivalents	26.2	24.4	21.4
+ Interest-bearing securities, current	6.5	18.7	10.8
+ Interest-bearing securities, non-current	22.4	0.5	22.1
Borrowings, current	3.0	9.0	3.2
Borrowings, non-current	28.0	18.3	27.1
Equity	115.7	134.0	123.8
Total assets	267.2	275.7	274.9

Post-employment benefits were SEK 26.5 b., compared with SEK 23.6 b. on June 30, 2017, following lower discount rate in Sweden.

In addition, the company received a USD 200 million payment relating to Francisco Partners' investments for a 16.7% ownership in Ericsson's independent subsidiary iconectiv. Due to the structure of the investment, IFRS accounting standards stipulates the main part of the USD 200 million is to be treated as borrowings, non-current.

The average maturity of long-term borrowings as of Sept. 30, 2017, was 4.3 years, compared with 4.0 years 12 months earlier.

Debt maturity profile, Parent Company

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OTHER INFORMATION

Changes to Ericsson's Executive Team

On September 12, 2017, Ericsson announced a change to the Executive Team. The company has appointed Niklas Heuvelodop to be Head of Market Area North America, effective September 12, 2017. In addition to his current role as Chief Strategy Officer and Head of Technology & Emerging Business, he has also been Acting Head of Market Area North America since May 2017. Niklas Heuvelodop will, on a permanent basis, lead the organization of approximately 11,500 employees in serving Ericsson's customers in the United States and Canada with technology and services.

Heuvelodop will, until further notice, be acting in his former role as Chief Strategy Officer, Head of Technology & Emerging Business. The search for a replacement for this role is ongoing.

Patent infringement lawsuit

The company Intellectual Ventures that has previously filed a number of patent infringement lawsuits in the United States accusing a number of Ericsson's U.S. customers of patent infringement, has during the third quarter of 2017 filed additional lawsuits in the Eastern District of Texas asserting patent infringement by Ericsson and a number of Ericsson's U.S. customers.

POST-CLOSING EVENTS

Ronnie Leten proposed as new Chairman of the Board of Ericsson. Kurt Jofs proposed as new member of the Board.

On October 9, 2017, Ericsson announced that its Nomination Committee will propose Ronnie Leten as new Chairman of the Board of Ericsson. Between 1985 and 2017, Leten held various positions within Atlas Copco, being the company's President and CEO 2009-2017. He is currently a board member in SKF, the Chairman of the Board of Electrolux and proposed Chairman of the Board of Epiroc, the part of Atlas Copco planned to be spun off to its shareholders in 2018. Leten is a Belgian citizen, born in 1956, and holds a M.Sc in Applied Economics from the University of Hasselt, Belgium.

Ericsson's current Chairman of the Board Leif Johansson has previously announced that he will not make himself available for reelection at the 2018 Annual General Meeting.

The Nomination Committee will also propose Kurt Jofs as new member of the Board. Jofs was responsible for Ericsson's Networks business 2003-2008 and is currently the Chairman of the Board in Tieto.

Kristin Skogen Lund has notified the Nomination Committee that she will not be available for reelection.

The Nomination Committee's additional proposals will be published later, in conjunction with the notice of the 2018 Annual General Meeting at the latest.

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

During the third quarter of 2017, Ericsson made sales of communications infrastructure related products and services in Iran to Farabord Dadehavare Iranian, Mobile Communication Company of Iran, MTN Irancell and Pars Online, which generated gross revenues (reported as net sales) of approximately SEK 609 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 2017 would be substantially lower than such gross revenues.

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RISK FACTORS

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

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

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

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

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

Effects on gross margins of the business mix in the Networks and IT & Cloud segments including new network build-outs and new managed services or digital transformation deals with initial transition costs;

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

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

Changes in foreign exchange rates, in particular USD;

Political unrest and uncertainty in certain markets;

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

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

Cybersecurity incidents, which may have a material negative impact.

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

Stockholm, October 20, 2017

Telefonaktiebolaget LM Ericsson

Börje Ekholm, President and CEO

Org. no. 556016-0680

Date for next report: January 31, 2018

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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, 2017, and the nine months period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial 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 20, 2017

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 and profitability; (xii) plans to launch new products and services; (xiii) assessments of risks; (xiv) integration of acquired businesses; (xv) compliance with rules and regulations and (xvi) infringements of intellectual property rights of others.

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

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FINANCIAL STATEMENTS

AND OTHER INFORMATION

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEK million	2017	Jul-Sep 2016	Change	2017	Jan-Sep 2016	Change
Net sales	47,796	51,076	-6%	144,104	157,393	-8%
Cost of sales	-35,661	-36,616	-3%	-111,598	-108,048	3%
Gross income	12,135	14,460	-16%	32,506	49,345	-34%
Gross margin (%)	25.4%	28.3%		22.6%	31.4%	
Research and development expenses	-10,520	-7,855	34%	-27,953	-22,745	23%
Selling and administrative expenses	-6,834	-6,238	10%	-23,747	-20,067	18%
Operating expenses	-17,354	-14,093	23%	-51,700	-42,812	21%
Other operating income and expenses	415	-3		795	40	
Shares in earnings of JV and associated companies	6	-23		29	6	
Operating income	-4,798	341	-1507%	-18,370	6,579	-379%
Financial income	-135	-226		-239	-176	
Financial expenses	-181	-371		-448	-1,414	
Income after financial items	-5,114	-256	1898%	-19,057	4,989	-482%
Taxes	766	76		2,858	-1,497	
Net income	-4,348	-180	2316%	-16,199	3,492	-564%
Net income attributable to:						
Stockholders of the Parent Company	-4,452	-233		-16,359	3,320	
Non-controlling interests	104	53		160	172	
Other information						
Average number of shares, basic (million)	3,279	3,264		3,275	3,261	
Earnings per share, basic (SEK) ¹⁾	-1.35	-0.07		-4.99	1.02	
Earnings per share, diluted (SEK) ¹⁾	-1.34	-0.07		-4.93	1.01	

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

STATEMENT OF COMPREHENSIVE INCOME

SEK million	Jul-Sep		Jan-Sep	
	2017	2016	2017	2016
Net income	-4,348	-180	-16,199	3,492
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefits pension plans incl. asset ceiling	-2,618	-5,347	-1,646	-9,790
Tax on items that will not be reclassified to profit or loss	546	1,218	217	2,406
Items that may be reclassified to profit or loss				
Available-for-sale financial assets				
Gains/losses arising during the period	5		78	
Reclassification adjustments on gains/losses included in profit or loss			5	
Revaluation of other investments in shares and participations				
Fair value remeasurement	-5		-3	-4
Changes in cumulative translation adjustments	-1,728	1,520	-4,522	2,368
Share of other comprehensive income on JV and associated companies	-8	11	-7	-355
Tax on items that may be reclassified to profit or loss	1		-17	
Total other comprehensive income, net of tax	-3,807	-2,598	-5,895	-5,375
Total comprehensive income	-8,155	-2,778	-22,094	-1,883
Total comprehensive income attributable to:				
Stockholders of the Parent Company	-8,218	-2,871	-22,197	-2,121
Non-controlling interest	63	93	103	238

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CONSOLIDATED BALANCE SHEET

SEK million	Sep 30 2017	Jun 30 2017	Dec 31 2016
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenses	5,337	6,085	8,076
Goodwill	40,200	41,364	43,387
Intellectual property rights, brands and other intangible assets	4,776	5,234	7,747
Property, plant and equipment	13,884	16,276	16,734
Financial assets			
Equity in JV and associated companies	627	791	775
Other investments in shares and participations	1,192	1,115	1,179
Customer finance, non-current	1,993	2,288	2,128
Interest-bearing securities, non-current	22,405	22,122	7,586
Other financial assets, non-current	5,063	4,409	4,442
Deferred tax assets	19,275	17,463	15,522
	114,752	117,147	107,576
Current assets			
Inventories	32,758	34,194	30,307
Trade receivables	59,802	62,493	68,117
Customer finance, current	1,961	2,156	2,625
Other current receivables	25,231	26,741	24,431
Interest-bearing securities, current	6,526	10,754	13,325
Cash and cash equivalents	26,210	21,446	36,966
	152,488	157,784	175,771
Total assets	267,240	274,931	283,347
EQUITY AND LIABILITIES			
Equity			
Stockholders' equity	115,072	123,045	139,817
Non-controlling interest in equity of subsidiaries	615	710	675
	115,687	123,755	140,492
Non-current liabilities			
Post-employment benefits	26,534	23,624	23,723
Provisions, non-current	3,930	4,794	946
Deferred tax liabilities	1,736	1,838	2,147

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Borrowings, non-current	28,039	27,100	18,653
Other non-current liabilities	2,563	2,602	2,621
	62,802	59,958	48,090
Current liabilities			
Provisions, current	5,646	5,618	5,411
Borrowings, current	3,004	3,230	8,033
Trade payables	23,560	25,025	25,318
Other current liabilities	56,541	57,345	56,003
	88,751	91,218	94,765
Total equity and liabilities	267,240	274,931	283,347
<i>Of which interest-bearing liabilities</i>	<i>31,043</i>	<i>30,330</i>	<i>26,686</i>
Assets pledged as collateral	5,215	5,076	2,584
Contingent liabilities	1,547	1,679	1,186

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CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Jul-Sep		Jan-Sep		Jan-Dec
	2017	2016	2017	2016	2016
Operating activities					
Net income	-4,348	-180	-16,199	3,492	1,895
Adjustments to reconcile net income to cash					
Taxes	-1,574	-1,282	-7,897	-5,900	-6,200
Earnings/dividends in JV and associated companies	73	22	58	79	58
Depreciation, amortization and impairment losses	4,146	2,308	11,774	6,509	9,119
Other	-218	630	261	2,270	3,135
Net income reconciled to cash	-1,921	1,498	-12,003	6,450	8,007
Changes in operating net assets					
Inventories	582	980	-4,149	-4,899	-613
Customer finance, current and non-current	456	223	762	-844	-950
Trade receivables	1,124	-624	3,971	2,220	5,933
Trade payables	-819	-2,371	-152	-531	2,775
Provisions and post-employment benefits	-601	130	4,368	334	3,106
Other operating assets and liabilities, net	1,161	-2,153	5,645	-8,132	-4,248
	1,903	-3,815	10,445	-11,852	6,003
Cash flow from operating activities	-18	-2,317	-1,558	-5,402	14,010
Investing activities					
Investments in property, plant and equipment	-739	-1,384	-2,772	-4,430	-6,129
Sales of property, plant and equipment	12	111	118	205	482
Acquisitions/divestments of subsidiaries and other operations, net	371	16	383	-572	-622
Product development	-126	-885	-1,306	-3,192	-4,483
Other investing activities	42	-508	110	-663	-3,004
Interest-bearing securities	3,756	610	-8,806	6,978	5,473
Cash flow from investing activities	3,316	-2,040	-12,273	-1,674	-8,283
Cash flow before financing activities	3,298	-4,357	-13,831	-7,076	5,727
Financing activities					
Dividends paid	-145	-163	-3,423	-12,263	-12,263
Other financing activities	1,563	-1,295	6,829	1,560	521
Cash flow from financing activities	1,418	-1,458	3,406	-10,703	-11,742
Effect of exchange rate changes on cash	48	1,285	-331	1,956	2,757
Net change in cash and cash equivalents	4,764	-4,530	-10,756	-15,823	-3,258

Cash and cash equivalents, beginning of period	21,446	28,931	36,966	40,224	40,224
Cash and cash equivalents, end of period	26,210	24,401	26,210	24,401	36,966

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Jan-Sep		Jan-Dec
	2017	2016	2016
Opening balance	140,492	147,366	147,366
Total comprehensive income	-22,094	-1,883	4,514
Sale/repurchase of own shares	-28	-51	-216
Stock issue (net)	15	131	131
Stock purchase plan	650	711	957
Dividends paid	-3,424	-12,263	-12,263
Transactions with non-controlling interests	76	1	3
Closing balance	115,687	134,012	140,492

CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS

Isolated quarters, SEK million	Q3	2017			2016		
		Q2	Q1	Q4	Q3	Q2	Q1
Net sales	47,796	49,939	46,369	65,215	51,076	54,108	52,209
Cost of sales	-35,661	-36,006	-39,931	-48,195	-36,616	-36,613	-34,819
Gross income	12,135	13,933	6,438	17,020	14,460	17,495	17,390
Gross margin (%)	25.4%	27.9%	13.9%	26.1%	28.3%	32.3%	33.3%
Research and development expenses	-10,520	-8,365	-9,068	-8,890	-7,855	-7,405	-7,485
Selling and administrative expenses	-6,834	-7,052	-9,861	-8,799	-6,238	-7,109	-6,720
Operating expenses	-17,354	-15,417	-18,929	-17,689	-14,093	-14,514	-14,205
Other operating income and expenses	415	239	141	364	-3	-230	273
Shares in earnings of JV and associated companies	6	12	11	25	-23	12	17
Operating income	-4,798	-1,233	-12,339	-280	341	2,763	3,475
Financial income	-135	-22	-82	61	-226	139	-89
Financial expenses	-181	83	-350	-744	-371	-666	-377
Income after financial items	-5,114	-1,172	-12,771	-963	-256	2,236	3,009
Taxes	766	176	1,916	-634	76	-670	-903

Net income	-4,348	-996	-10,855	-1,597	-180	1,566	2,106
Net income attributable to:							
Stockholders of the Parent Company	-4,452	-1,010	-10,897	-1,604	-233	1,587	1,966
Non-controlling interests	104	14	42	7	53	-21	140
Other information							
Average number of shares, basic (million)	3,279	3,275	3,272	3,268	3,264	3,261	3,258
Earnings per share, basic (SEK) ¹⁾	-1.35	-0.31	-3.33	-0.49	-0.07	0.49	0.60
Earnings per share, diluted (SEK) ¹⁾	-1.34	-0.30	-3.29	-0.48	-0.07	0.48	0.60

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

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CONSOLIDATED STATEMENT OF CASH FLOWS ISOLATED QUARTERS

Isolated quarters, SEK million	Q3	2017 Q2	Q1	Q4	2016 Q3	Q2	Q1
Operating activities							
Net income	-4,348	-996	-10,855	-1,597	-180	1,566	2,106
Adjustments to reconcile net income to cash							
Taxes	-1,574	-1,978	-4,345	-300	-1,282	-3,410	-1,208
Earnings/dividends in JV and associated companies	73	-8	-7	-21	22	73	-16
Depreciation, amortization and impairment losses	4,146	2,197	5,431	2,610	2,308	2,104	2,097
Other	-218	-48	527	865	630	988	652
Net income reconciled to cash	-1,921	-833	-9,249	1,557	1,498	1,321	3,631
Changes in operating net assets							
Inventories	582	-1,146	-3,585	4,286	980	-1,667	-4,212
Customer finance, current and non-current	456	1,140	-834	-106	223	-816	-251
Trade receivables	1,124	450	2,397	3,713	-624	-564	3,408
Trade payables	-819	41	626	3,306	-2,371	2,457	-617
Provisions and post-employment benefits	-601	324	4,645	2,772	130	218	-14
Other operating assets and liabilities, net	1,161	25	4,459	3,884	-2,153	-1,662	-4,317
	1,903	834	7,708	17,855	-3,815	-2,034	-6,003
Cash flow from operating activities	-18	1	-1,541	19,412	-2,317	-713	-2,372
Investing activities							
Investments in property, plant and equipment	-739	-1,018	-1,015	-1,699	-1,384	-1,572	-1,474
Sales of property, plant and equipment	12	37	69	277	111	50	44
Acquisitions/divestments of subsidiaries and other operations, net	371	9	3	-50	16	-480	-108
Product development	-126	-315	-865	-1,291	-885	-1,099	-1,208
Other investing activities	42	-42	110	-2,341	-508	-890	735
Interest-bearing securities	3,756	-676	-11,886	-1,505	610	5,355	1,013
Cash flow from investing activities	3,316	-2,005	-13,584	-6,609	-2,040	1,364	-998
Cash flow before financing activities	3,298	-2,004	-15,125	12,803	-4,357	651	-3,370
Financing activities							
Dividends paid	-145	-3,274	-4		-163	-12,067	-33
Other financing activities	1,563	-5,636	10,902	-1,039	-1,295	2,761	94
Cash flow from financing activities	1,418	-8,910	10,898	-1,039	-1,458	-9,306	61

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Effect of exchange rate changes on cash	48	-594	215	801	1,285	1,652	-981
Net change in cash and cash equivalents	4,764	-11,508	-4,012	12,565	-4,530	-7,003	-4,290
Cash and cash equivalents, beginning of period	21,446	32,954	36,966	24,401	28,931	35,934	40,224
Cash and cash equivalents, end of period	26,210	21,446	32,954	36,966	24,401	28,931	35,934

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ADDITIONAL INFORMATION

ACCOUNTING POLICIES

THE GROUP

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

There is no significant difference between IFRS effective as per September 30, 2017 and IFRS as endorsed by the EU.

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

IFRS 9 and IFRS 15 will be applied from January 1, 2018. The methods for transition and effects of applying these two standards will be disclosed in the Q4 2017 interim report.

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NET SALES BY SEGMENT BY QUARTER*

Isolated quarters, SEK million	2017				2016		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Networks	35,502	36,839	34,860	47,791	37,020	40,245	39,935
<i>Of which products</i>	19,828	20,786	19,410	27,519	19,249	23,037	22,795
<i>Of which services</i>	15,674	16,053	15,450	20,272	17,771	17,208	17,140
IT & Cloud	10,264	10,888	9,545	14,884	11,716	11,500	9,830
<i>Of which products</i>	4,652	5,065	4,103	6,682	5,479	5,298	4,773
<i>Of which services</i>	5,612	5,823	5,442	8,202	6,237	6,202	5,057
Other	2,030	2,212	1,964	2,540	2,340	2,363	2,444
Total	47,796	49,939	46,369	65,215	51,076	54,108	52,209

Sequential change, percent	2017				2016		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Networks	-4%	6%	-27%	29%	-8%	1%	
<i>Of which products</i>	-5%	7%	-29%	43%	-16%	1%	
<i>Of which services</i>	-2%	4%	-24%	14%	3%	0%	
IT & Cloud	-6%	14%	-36%	27%	2%	17%	
<i>Of which products</i>	-8%	23%	-39%	22%	3%	11%	
<i>Of which services</i>	-4%	7%	-34%	32%	1%	23%	
Other	-8%	13%	-23%	9%	-1%	-3%	
Total	-4%	8%	-29%	28%	-6%	4%	-29%

Year over year change, percent	2017			2016			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Networks	-4%	-8%	-13%				
<i>Of which products</i>	3%	-10%	-15%				
<i>Of which services</i>	-12%	-7%	-10%				
IT & Cloud	-12%	-5%	-3%				
<i>Of which products</i>	-15%	-4%	-14%				
<i>Of which services</i>	-10%	-6%	8%				
Other	-13%	-6%	-20%				
Total	-6%	-8%	-11%	-11%	-14%	-11%	-2%

Year to date, SEK million	2017				2016		
	Jan-Sep	Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	107,201	71,699	34,860	164,991	117,200	80,180	39,935

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<i>Of which products</i>	60,024	40,196	19,410	92,600	65,081	45,832	22,795
<i>Of which services</i>	47,177	31,503	15,450	72,391	52,119	34,348	17,140
T & Cloud	30,697	20,433	9,545	47,930	33,046	21,330	9,830
<i>Of which products</i>	13,820	9,168	4,103	22,232	15,550	10,071	4,773
<i>Of which services</i>	16,877	11,265	5,442	25,698	17,496	11,259	5,057
Other	6,206	4,176	1,964	9,687	7,147	4,807	2,444
Total	144,104	96,308	46,369	222,608	157,393	106,317	52,209

Year to date, year over year change, percent	2017				2016		
	Jan-Sep	Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	-9%	-11%	-13%	-11%			
<i>Of which products</i>	-8%	-12%	-15%	-12%			
<i>Of which services</i>	-9%	-8%	-10%	-8%			
T & Cloud	-7%	-4%	-3%	-7%			
<i>Of which products</i>	-11%	-9%	-14%	-16%			
<i>Of which services</i>	-4%	0%	8%	1%			
Other	-13%	-13%	-20%	-7%			
Total	-8%	-9%	-11%	-10%	-9%	-7%	-2%

* Net sales by segment has been restated for each quarter of 2016 and for the full year 2015. Comparisons against isolated quarters in 2015 are not available by segment. As of Q2 2017, the former Media segment was renamed to Other .

Table of Contents**GROSS INCOME AND GROSS MARGIN BY SEGMENT BY QUARTER**

Isolated quarters, SEK million	2017				2016		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Networks	9,092	10,357	7,980	11,783	9,867	12,522	13,011
IT & Cloud	2,384	2,828	2,100	4,676	3,833	4,061	3,281
Other	659	748	558	561	760	912	1,098
Total	12,135	13,933	6,438	17,020	14,460	17,495	17,390

Isolated quarters, As percentage of net sales	2017				2016		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Networks	26%	28%	23%	25%	27%	31%	33%
IT & Cloud	23%	26%	22%	31%	33%	35%	33%
Other	32%	34%	28%	22%	32%	39%	45%
Total	25%	28%	14%	26%	28%	32%	33%

Year to date, SEK million	2017				2016		
	Jan-Sep	Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	27,429	18,337	7,980	47,183	35,400	25,533	13,011
IT & Cloud	3,112	728	2,100	15,851	11,175	7,342	3,281
Other	1,965	1,306	558	3,331	2,770	2,010	1,098
Total	32,506	20,371	6,438	66,365	49,345	34,885	17,390

Year to date, As percentage of net sales	2017				2016		
	Jan-Sep	Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	26%	26%	23%	29%	30%	32%	33%
IT & Cloud	10%	4%	-22%	33%	34%	34%	33%
Other	32%	31%	28%	34%	39%	42%	45%
Total	23%	21%	14%	30%	31%	33%	33%

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OPERATING INCOME AND OPERATING MARGIN BY SEGMENT BY QUARTER

Isolated quarters, SEK million	Q3	2017			2016		
		Q2	Q1	Q4	Q3	Q2	Q1
Networks	370	2,603	-538	2,380	2,839	4,789	5,762
IT & Cloud	-4,186	-2,869	-8,997	-1,819	-1,740	-1,546	-1,977
Other	-982	-967	-2,804	-841	-758	-480	-310
Total	-4,798	-1,233	-12,339	-280	341	2,763	3,475

Isolated quarters, As percentage of net sales	Q3	2017			2016		
		Q2	Q1	Q4	Q3	Q2	Q1
Networks	1%	7%	-2%	5%	8%	12%	14%
IT & Cloud	-41%	-26%	-94%	-12%	-15%	-13%	-20%
Other	-48%	-44%	-143%	-33%	-32%	-20%	-13%
Total	-10%	-2%	-27%	0%	1%	5%	7%

Year to date, SEK million	Jan-Sep	2017			2016		
		Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	2,435	2,065	-538	15,770	13,390	10,551	5,762
IT & Cloud	-16,052	-11,866	-8,997	-7,082	-5,263	-3,523	-1,977
Other	-4,753	-3,771	-2,804	-2,389	-1,548	-790	-310
Total	-18,370	-13,572	-12,339	6,299	6,579	6,238	3,475

Year to date As percentage of net sales	Jan-Sep	2017			2016		
		Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	2%	3%	-2%	10%	11%	13%	14%
IT & Cloud	-52%	-58%	-94%	-15%	-16%	-17%	-20%
Other	-77%	-90%	-143%	-25%	-22%	-16%	-13%
Total	-13%	-14%	-27%	3%	4%	6%	7%

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NET SALES BY MARKET AREA BY QUARTER*

Isolated quarters, SEK million	2017				2016		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
South East Asia, Oceania and India	7,474	7,730	8,009	9,718	7,678	7,730	7,905
North East Asia	5,563	5,853	5,561	9,623	6,122	6,041	5,579
North America	11,880	12,457	11,811	14,851	13,178	13,358	13,147
Europe and Latin America ^{1) 2)}	14,128	15,231	12,707	19,128	15,104	17,082	15,100
Middle East and Africa	6,240	6,018	5,414	9,129	6,298	7,239	5,699
Other ^{1) 2)}	2,511	2,650	2,867	2,766	2,696	2,658	4,779
Total	47,796	49,939	46,369	65,215	51,076	54,108	52,209

<i>) Of which in Sweden</i>	568	701	925	843	690	477	1,113
<i>) Of which in EU</i>	8,459	8,840	8,239	11,154	8,507	9,635	9,229

Sequential change, percent	2017				2016		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
South East Asia, Oceania and India	-3%	-3%	-18%	27%	-1%	-2%	-7%
North East Asia	-5%	5%	-42%	57%	1%	8%	-37%
North America	-5%	5%	-20%	13%	-1%	2%	-21%
Europe and Latin America ^{1) 2)}	-7%	20%	-34%	27%	-12%	13%	-31%
Middle East and Africa	4%	11%	-41%	45%	-13%	27%	-36%
Other ^{1) 2)}	-5%	-8%	4%	3%	1%	-44%	-44%
Total	-4%	8%	-29%	28%	-6%	4%	-29%

<i>) Of which in Sweden</i>	-19%	-24%	10%	22%	45%	-57%	15%
<i>) Of which in EU</i>	-4%	7%	-26%	31%	-12%	4%	-27%

Year-over-year change, percent	2017				2016		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
South East Asia, Oceania and India	-3%	0%	1%	14%	-9%	-3%	1%
North East Asia	-9%	-3%	0%	8%	-4%	-13%	-7%
North America	-10%	-7%	-10%	-11%	-8%	-8%	8%
Europe and Latin America ^{1) 2)}	-6%	-11%	-16%	-13%	-20%	-12%	-15%
Middle East and Africa	-1%	-17%	-5%	2%	-25%	-21%	-15%
Other ^{1) 2)}	-7%	0%	-40%	-67%	-6%	-3%	54%
Total	-6%	-8%	-11%	-11%	-14%	-11%	-2%

<i>) Of which in Sweden</i>	-18%	47%	-17%	-13%	-39%	-20%	2%
<i>) Of which in EU</i>	-1%	-8%	-11%	-12%	-20%	-16%	-15%

2017

2016

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Year to date, SEK million	Jan-Sep	Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
South East Asia, Oceania and India	23,213	15,739	8,009	33,031	23,313	15,635	7,905
North East Asia	16,977	11,414	5,561	27,365	17,742	11,620	5,579
North America	36,148	24,268	11,811	54,534	39,683	26,505	13,147
Europe and Latin America ^{1) 2)}	42,066	27,938	12,707	66,414	47,286	32,182	15,100
Middle East and Africa	17,672	11,432	5,414	28,365	19,236	12,938	5,699
Other ^{1) 2)}	8,028	5,517	2,867	12,899	10,133	7,437	4,779
Total	144,104	96,308	46,369	222,608	157,393	106,317	52,209
<i>) Of which in Sweden</i>	<i>2,194</i>	<i>1,626</i>	<i>925</i>	<i>3,123</i>	<i>2,280</i>	<i>1,590</i>	<i>1,113</i>
<i>) Of which in EU</i>	<i>25,538</i>	<i>17,079</i>	<i>8,239</i>	<i>38,525</i>	<i>27,371</i>	<i>18,864</i>	<i>9,229</i>

Year to date, year-over-year change, percent	2017				2016		
	Jan-Sep	Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
South East Asia, Oceania and India	0%	1%	1%	1%	-4%	-1%	1%
North East Asia	-4%	-2%	0%	-3%	-8%	-10%	-7%
North America	-9%	-8%	-10%	-6%	-3%	-1%	8%
Europe and Latin America ^{1) 2)}	-11%	-13%	-16%	-15%	-15%	-13%	-15%
Middle East and Africa	-8%	-12%	-5%	-15%	-21%	-18%	-15%
Other ^{1) 2)}	-21%	-26%	-40%	-25%	16%	27%	54%
Total	-8%	-9%	-11%	-10%	-9%	-7%	-2%
<i>) Of which in Sweden</i>	<i>-4%</i>	<i>2%</i>	<i>-17%</i>	<i>-18%</i>	<i>-19%</i>	<i>-6%</i>	<i>2%</i>
<i>) Of which in EU</i>	<i>-7%</i>	<i>-9%</i>	<i>-11%</i>	<i>-15%</i>	<i>-17%</i>	<i>-16%</i>	<i>-15%</i>

* As of Q2 2017, net sales by geographical area has been restated using the new structure of five Market Areas + Other, replacing the previous structure of 10 regions + Other. Broadcast services, reported as Region Other during 2016, is now reported per geographical area. In addition, part of the business related to former Telcordia, reported per geographical area during 2016, has been transferred to Other. All changes have been applied retrospectively to ensure valid comparisons between periods.

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TOP 5 COUNTRIES IN SALES

Country Percentage of Net sales	Q3		Jan-Sep	
	2017	2016	2017	2016
United States	26%	26%	26%	26%
China	7%	8%	8%	8%
India	6%	5%	5%	5%
Australia	4%	3%	4%	3%
Japan	4%	3%	4%	3%

NET SALES BY MARKET AREA BY SEGMENT

SEK million	Q3 2017				Jan-Sep 2017			
	Networks	IT & Cloud	Other	Total	Networks	IT & Cloud	Other	Total
South East Asia, Oceania and India	6,267	1,120	87	7,474	19,212	3,717	284	23,213
North East Asia	4,062	1,455	46	5,563	12,805	4,037	135	16,977
North America	9,624	1,989	267	11,880	28,806	6,329	1,013	36,148
Europe and Latin America	9,594	3,732	802	14,128	28,693	10,923	2,450	42,066
Middle East and Africa	4,279	1,878	83	6,240	12,201	5,187	284	17,672
Other	1,676	90	745	2,511	5,484	504	2,040	8,028
Total	35,502	10,264	2,030	47,796	107,201	30,697	6,206	144,104
Share of total	74%	22%	4%	100%	75%	21%	4%	100%

Sequential change, percent	Q3 2017			
	Networks	IT & Cloud	Other	Total
South East Asia, Oceania and India	0%	-15%	-27%	-3%
North East Asia	-1%	-14%	10%	-5%
North America	-3%	-3%	-41%	-5%
Europe and Latin America	-9%	-3%	-6%	-7%
Middle East and Africa	3%	7%	-9%	4%
Other	-6%	-55%	14%	-5%
Total	-4%	-6%	-8%	-4%

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Year over year change, percent	Q3 2017				Jan-Sep 2017			
	Networks	IT & Cloud	Other	Total	Networks	IT & Cloud	Other	Total
South East Asia, Oceania and India	-6%	23%	-33%	-3%	-2%	13%	-13%	0%
North East Asia	3%	-32%	7%	-9%	0%	-15%	10%	-4%
North America	-8%	-9%	-52%	-10%	-9%	2%	-39%	-9%
Europe and Latin America	-4%	-11%	-11%	-6%	-11%	-10%	-12%	-11%
Middle East and Africa	3%	-8%	-14%	-1%	-8%	-9%	7%	-8%
Other	-9%	-63%	21%	-7%	-24%	-46%	3%	-21%
Total	-4%	-12%	-13%	-6%	-9%	-7%	-13%	-8%

IPR LICENSING REVENUES BY SEGMENT BY QUARTER

Isolated quarters, SEK million	2017				2016			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Networks	1,526	1,562	1,609	1,612	1,610	1,724	3,064	
IT & Cloud	191	195	201	202	201	216	383	
Other	191	195	201	202	201	216	383	
Total	1,908	1,952	2,011	2,016	2,012	2,156	3,830	

Year to date, SEK million	2017				2016		
	Jan-Sep	Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	4,697	3,171	1,609	8,010	6,398	4,788	3,064
IT & Cloud	587	396	201	1,002	800	599	383
Other	587	396	201	1,002	800	599	383
Total	5,871	3,963	2,011	10,014	7,998	5,986	3,830

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PROVISIONS

Isolated quarters, SEK million	Q3	2017			2016		
		Q2	Q1	Q4	Q3	Q2	Q1
Opening balance	10,412	10,560	6,357	3,245	3,387	3,532	3,838
Additions	1,942	1,403	6,365	4,349	666	839	492
Utilization/Cash out	-2,626	-1,324	-2,085	-976	-716	-794	-667
<i>Of which restructuring</i>	<i>-1,461</i>	<i>-1,075</i>	<i>-1,586</i>	<i>-785</i>	<i>-529</i>	<i>-639</i>	<i>-487</i>
Reversal of excess amounts	-32	-65	-66	-253	-129	-240	-67
Reclassification, translation difference and other	-120	-162	-11	-8	37	50	-64
Closing balance	9,576	10,412	10,560	6,357	3,245	3,387	3,532

Year to date, SEK million	Jan-Sep	2017			2016		
		Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Opening balance	6,357	6,357	6,357	3,838	3,838	3,838	3,838
Additions	9,710	7,768	6,365	6,346	1,997	1,331	492
Utilization/Cash out	-6,035	-3,409	-2,085	-3,153	-2,177	-1,461	-667
<i>Of which restructuring</i>	<i>-4,122</i>	<i>-2,661</i>	<i>-1,586</i>	<i>-2,440</i>	<i>-1,655</i>	<i>-1,126</i>	<i>-487</i>
Reversal of excess amounts	-163	-131	-66	-689	-436	-307	-67
Reclassification, translation difference and other	-293	-173	-11	15	23	-14	-64
Closing balance	9,576	10,412	10,560	6,357	3,245	3,387	3,532

INFORMATION ON INVESTMENTS

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

Isolated quarters, SEK million	Q3	2017			2016		
		Q2	Q1	Q4	Q3	Q2	Q1
Additions							
Property, plant and equipment	739	1,018	1,015	1,699	1,384	1,572	1,474
Capitalized development expenses 1)	126	315	865	1,291	885	1,099	1,208
IPR, brands and other intangible assets	1	19	1	0	-4	13	5
Total	866	1,352	1,881	2,990	2,265	2,684	2,687
Depreciation, amortization and impairment losses							
Property, plant and equipment	2,894	1,061	1,075	1,318	1,106	1,083	1,062

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Capitalized development expenses	874	690	2,481	652	511	386	351
IPR, brands and other intangible assets	378	446	1,875	640	691	635	684
Total	4,146	2,197	5,431	2,610	2,308	2,104	2,097

1) Including reclassification

Year to date, SEK million	2017				2016		
	Jan-Sep	Jan-Jun	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Additions							
Property, plant and equipment	2,772	2,033	1,015	6,129	4,430	3,046	1,474
Capitalized development expenses 1)	1,306	1,180	865	4,483	3,192	2,307	1,208
IPR, brands and other intangible assets	21	20	1	14	14	18	5
Total	4,099	3,233	1,881	10,626	7,636	5,371	2,687

Depreciation, amortization and impairment losses

Property, plant and equipment	5,030	2,136	1,075	4,569	3,251	2,145	1,062
Capitalized development expenses	4,045	3,171	2,481	1,900	1,248	737	351
IPR, brands and other intangible assets	2,699	2,321	1,875	2,650	2,010	1,319	684
Total	11,774	7,628	5,431	9,119	6,509	4,201	2,097

1) Including reclassification

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OTHER INFORMATION

SEK million	Jul-Sep		Jan-Sep		Jan-Dec
	2017	2016	2017	2016	2016
Number of shares and earnings per share					
Number of shares, end of period (million)	3,334	3,331	3,334	3,331	3,331
Of which class A-shares (million)	262	262	262	262	262
Of which class B-shares (million)	3,072	3,069	3,072	3,069	3,069
Number of treasury shares, end of period (million)	54	66	54	66	62
Number of shares outstanding, basic, end of period (million)	3,280	3,265	3,280	3,265	3,269
Numbers of shares outstanding, diluted, end of period (million)	3,324	3,302	3,324	3,302	3,309
Average number of treasury shares (million)	56	67	58	59	60
Average number of shares outstanding, basic (million)	3,279	3,264	3,275	3,261	3,263
Average number of shares outstanding, diluted (million) 1)	3,323	3,301	3,320	3,298	3,303
Earnings per share, basic (SEK)	-1.35	-0.07	-4.99	1.02	0.53
Earnings per share, diluted (SEK) 1)	-1.34	-0.07	-4.93	1.01	0.52
Ratios					
Days sales outstanding			112	122	95
Inventory turnover days	86	86	77	79	69
Payable days	62	56	60	56	56
Exchange rates used in the consolidation					
SEK/EUR- closing rate			9.63	9.63	9.56
SEK/USD- closing rate			8.15	8.62	9.06
Other					
Regional inventory, end of period	19,412	18,777	19,412	18,777	16,231
Export sales from Sweden	20,240	22,589	63,397	73,640	107,036

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

NUMBER OF EMPLOYEES

End of period	2017				2016		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
South East Asia, Oceania and India	26,396	26,748	27,221	26,570	26,453	26,725	26,602
North East Asia	12,945	12,972	12,962	13,042	13,434	13,547	13,623
North America	10,665	11,073	11,253	11,547	12,229	13,838	14,081
Europe and Latin America 1)	50,832	53,173	54,194	54,873	56,035	56,477	55,009
Middle East and Africa	5,014	5,161	5,268	5,432	5,646	5,920	5,985
Total	105,852	109,127	110,898	111,464	113,797	116,507	115,300

<i>¹⁾ Of which in Sweden</i>	<i>14,195</i>	<i>14,483</i>	<i>14,712</i>	<i>15,303</i>	<i>15,872</i>	<i>16,190</i>	<i>16,290</i>
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