

Fourth quarter and full-year report 2019

Stockholm, January 24, 2020

Fourth quarter highlights

- Sales were SEK 66.4 (63.8) b. Sales growth was 1% adjusted for comparable units and currency. A reduction in North America was compensated by growth in other markets, primarily in the Middle East and North East Asia. Reported sales grew by 4%.
- Operating income¹ improved to SEK 6.5 (2.6) b. corresponding to an operating margin of 9.7% (4.0%) excluding restructuring charges. Reported operating income¹ was SEK 6.1 (-1.9) b.
- Gross margin was 37.1% (32.0%) excluding restructuring charges. Reported gross margin was 36.8% (25.7%).
- Networks gross margin excluding restructuring charges was 41.1% (41.0%). Operating margin excluding restructuring charges was 14.5% (17.5%) following the addition of the Kathrein² business and investments in R&D, digitalization, compliance and security.
- Digital Services reported a positive operating income excluding restructuring charges.
- Net income was SEK 4.5 (-6.5) b.
- Free cash flow excluding M&A was SEK -1.9 (3.0) b. including payments of SEK 10.1 b. related to the resolution of the US SEC and DOJ³ investigations. Net cash decreased to SEK 34.5 (35.9) b.

Full-year highlights

- Sales increased by 4%, adjusted for comparable units and currency, with Networks growing by 6%. Reported sales increased by 8%.
- Reported operating income improved to SEK 10.6 (1.2) b. Operating income was SEK 22.1 b. (operating margin 9.7%) excluding restructuring charges and SEK -10.7 b. in costs related to the resolution of the US SEC and DOJ investigations.
- Gross margin was 37.5% (35.2%) excl. restructuring charges, with improvements in Networks, Digital Services and Managed Services.
- Free cash flow excluding M&A amounted to SEK 7.6 (4.3) b. including payments of SEK 10.1 b. related to the resolution of the US SEC and DOJ investigations. Net cash at year-end was SEK 34.5 (35.9) b.
- The Board of Directors will propose a dividend for 2019 of SEK 1.50 (1.00) per share to the AGM.

| SEK b. | Q4 2019 | Q4 2018 | YoY change | Q3 2019 | QoQ change | Jan-Dec 2019 | Jan-Dec 2018 | YoY change |
|--|------------|------------|---------------|------------|---------------|-----------------|-----------------|---------------|
| Net sales | 66.4 | 63.8 | 4% | 57.1 | 16% | 227.2 | 210.8 | 8% |
| <i>Sales growth adj. for comparable units and currency</i> | - | - | 1% | - | - | - | - | 4% |
| Gross margin | 36.8% | 25.7% | - | 37.7% | - | 37.3% | 32.3% | - |
| <i>Gross margin excluding restructuring charges</i> | 37.1% | 32.0% | - | 37.8% | - | 37.5% | 35.2% | - |
| Operating income (loss) | 6.1 | -1.9 | - | -4.2 | - | 10.6 | 1.2 | - |
| Operating margin | 9.2% | -2.9% | - | -7.3% | - | 4.6% | 0.6% | - |
| <i>Operating income (loss) excluding restructuring charges</i> | 6.5 | 2.6 | 152% | -4.0 | - | 11.4 | 9.3 | 23% |
| <i>Operating margin excluding restructuring charges</i> | 9.7% | 4.0% | - | -7.1% | - | 5.0% | 4.4% | - |
| <i>Operating income excl. restr. charges & SEC/DOJ charges⁴</i> | 5.7 | 2.6 | 123% | 7.4 | -23% | 22.1 | 9.3 | 139% |
| <i>Operating margin excl. restr. charges & SEC/DOJ charges⁴</i> | 8.6% | 4.0% | - | 13.0% | - | 9.7% | 4.4% | - |
| Net income (loss) | 4.5 | -6.5 | - | -6.9 | - | 1.8 | -6.3 | - |
| EPS diluted, SEK | 1.33 | -1.99 | - | -1.89 | - | 0.67 | -1.98 | - |
| Free cash flow excluding M&A | -1.9 | 3.0 | - | 4.5 | - | 7.6 | 4.3 | 79% |
| Net cash, end of period | 34.5 | 35.9 | -4% | 37.4 | -8% | 34.5 | 35.9 | -4% |

¹ Includes a positive impact of SEK 0.7 b. from a partial release of the cost provisions made in Q3 2019 related to the resolution of the SEC and DOJ investigations. Includes a non-cash cost of SEK -0.3 b. related to wind-down of the ST-Ericsson legal structure.

² The acquisition of the Kathrein antenna and filter business is hereinafter referred to as the acquired Kathrein business.

³ United States Securities and Exchange Commission (SEC) and the United States Department of Justice (DOJ).

⁴ Operating income excludes restructuring charges in all periods and cost provisions related to the resolution of the SEC and DOJ investigations of SEK -11.5 b. in Q3 2019 as well as a partial release of the same provision of SEK 0.7 b. in Q4 2019.

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

CEO comments

Our performance during 2019 puts us on track to reach our targets for 2020 and 2022. Our focused strategy with increased investments in R&D combined with operational efficiency is paying off. We have regained technology leadership, recovered previously lost ground in several markets and improved the financial results. Today, we are a leader in 5G with 78 commercial 5G agreements with unique operators and 24 live 5G networks on four continents. Operating margin¹ excluding costs related to the resolution of the US SEC and DOJ investigations and restructuring charges was 9.7% for full-year 2019, almost reaching the target of more than 10% one year early.

Operating income was impacted by increased operating expenses. The increase is related to the Kathrein business acquisition, increased investments in digitalization and added resources to strengthen security as well as our Ethics and Compliance program. For 2020 we expect somewhat higher operating expenses, which will not jeopardize our financial targets.

Networks gross margin² was solid in the quarter at 41% including effects from strategic contracts which reflects the strong business fundamentals. Due to the uncertainty related to an announced operator merger, we saw a slowdown in our North American business in Q4, resulting in North America having the lowest share of total sales for some time. However, the underlying business fundamentals in North America remain strong. The negative growth in North America was more than offset by growth in Asia and the Middle East. It is still too early to assess possible volumes and price levels for the expected deployment of 5G in China, and we expect that the initial challenging margins will shift to positive margins over the lifespan of the contracts.

The Kathrein acquisition and increased investments were the main reasons why Networks operating margin² declined to 14.5% in Q4. The acquisition is strategically important to strengthen our capabilities in antennas. While we are executing on the integration plan, temporarily lower production and sales had a negative impact on margins in the quarter. We expect a gradual improvement as the integration progresses and a new antenna portfolio is developed, however we expect a negative contribution full-year 2020.

In segment Digital Services we continued the execution of our plan to turn around the business and showed a positive result² in Q4, despite a continued negative impact from the remaining critical projects (provisions of SEK -0.3 b. in Q4). We see strong development in the market, driven by the momentum in 5G resulting in good sales growth in Packet Core and OSS. While rationalization of the legacy portfolio will continue, we are re-investing R&D in our 5G and cloud-native portfolio.

The resolution of the US SEC and DOJ investigations highlights serious shortcomings in our otherwise proud history. The events

described in the resolution are totally unacceptable. However, the resolution represents an important step for Ericsson. We are now fully focused on strengthening the company and making sure we are equipped to deal with compliance challenges. We have already put in place many important changes to our Ethics and Compliance program, including adding further compliance and assurance competence as well as strengthening our third-party management, leadership vetting and internal controls. This work will not stop; our zero-tolerance policy requires constant oversight and renewal, and we are confident that we are on the right path.

Free cash flow in 2019 excluding M&A amounted to SEK 7.6 (4.3) b., after payments of SEK 10.1 b. related to the resolution of the US SEC and DOJ investigations. The Board will propose a dividend of SEK 1.50 (1.00) per share to the AGM. The increase underlines the Board's confidence in Ericsson delivering on its financial targets and building a strong financial position.

Our strategy aims at building a stronger company longer term and we do not trade long-term strengths for short-term gains. The foundation is our investments in R&D for both technology and cost leadership. This has secured us a competitive advantage as operators accelerate their 5G investments. We continue to execute on our focused strategy. The investments in digitalizing our business processes will increase costs in 2020 and will result in improved productivity in 2021 and beyond, supporting improved margins. Our competitive portfolio and cost position combined with the current market dynamics present a unique opportunity for us and we will continue to invest in order to further strengthen our market position.

Our product portfolio in Networks and Digital Services continues to gain good traction in a highly competitive market undergoing a technology shift to 5G. We see opportunities to further strengthen our position through our strong product offering in a market driven by the momentum in 5G. While we are confident that these opportunities will be value accretive in the long term, initial margins are challenging. Our competitive product offering and improved cost structure in hardware and services make our position and profitability much stronger than at the time of the European network modernization.

In 2019, we saw leading operators switch on their 5G networks. We are tracking well towards our targets for 2020 and 2022, but most importantly, we are making progress towards building a stronger company long term.

Börje Ekholm
President and CEO

¹ Excluding restructuring charges and costs related to the resolution of the US SEC and DOJ investigations.

² Excluding restructuring charges.

Planning assumptions

Market related

- The Radio Access Network (RAN) equipment market is estimated to grow by 4% for full-year 2020 with 2% CAGR for 2018-2023. (Source: Dell'Oro)

Ericsson related

The financial targets for 2020 and 2022 presented at the Investor Update in October 2019 remain unchanged.

Sales and gross margin

- Three-year average Group sales seasonality between Q4 and Q1 is -25%. Q1 is expected to have slightly less seasonality, as the base was lower following a weak Q4 in North America. The underlying business fundamentals in North America remain strong.
- The revenues from current IPR licensing contract portfolio are approximately SEK 10 b. on an annual basis.
- Strategic contracts, with an overall long-term positive gross margin, but with initially low or negative margin, are expected to continue to impact Networks.

- Large 5G deployments in China are expected to commence in 2020. Ericsson has invested in R&D and supply chain capacity, aiming to increase market share. Based on experience, margins are initially challenging but turn positive over the lifespan of a contract.
- The acquired Kathrein business is expected to have a negative impact on Networks margins during 2020, with a gradual improvement 2H.
- The improvements in Digital Services continue, but earnings will vary between quarters depending on business mix, sales seasonality and impact of the remainder of the 45 critical contracts.

Operating expenses

- Operating expenses typically decrease between Q4 and Q1 due to seasonality. Somewhat higher operating expenses are expected for full-year 2020 due to investments in digitalization, compliance and security.

Restructuring charges

- Restructuring charges for full-year 2020 are estimated to be ~1% of sales.

Currency exposure

- Rule of thumb: A change by 10% of USD to SEK has an impact of approx. +/-5% on net sales and approx. +/-1 percentage point on operating margin.

Financial highlights

| SEK b. | Q4 2019 | Q4 2018 | YoY change | Q3 2019 | QoQ change | Jan-Dec 2019 | Jan-Dec 2018 | YoY change |
|---|------------|------------|---------------|------------|---------------|-----------------|-----------------|---------------|
| Net sales | 66.4 | 63.8 | 4% | 57.1 | 16% | 227.2 | 210.8 | 8% |
| <i>Sales growth adj. for comparable units and currency</i> | - | - | 1% | - | - | - | - | 4% |
| Gross income | 24.4 | 16.4 | 49% | 21.5 | 13% | 84.8 | 68.2 | 24% |
| Gross margin | 36.8% | 25.7% | - | 37.7% | - | 37.3% | 32.3% | - |
| Research and development (R&D) expenses | -10.6 | -10.7 | - | -9.5 | - | -38.8 | -38.9 | - |
| Selling and administrative expenses | -8.2 | -7.7 | - | -4.9 | - | -26.1 | -27.5 | - |
| Impairment losses on trade receivables | -0.2 | 0.4 | - | 0.2 | - | 0.7 | -0.4 | - |
| Other operating income and expenses | 0.8 | -0.3 | - | -11.3 | - | -9.7 | -0.2 | - |
| Operating income (loss) | 6.1 | -1.9 | - | -4.2 | - | 10.6 | 1.2 | - |
| Operating margin | 9.2% | -2.9% | - | -7.3% | - | 4.6% | 0.6% | - |
| Financial income and expenses, net | -0.1 | -0.7 | - | -0.7 | - | -1.8 | -2.7 | - |
| Taxes | -1.6 | -3.9 | - | -2.0 | - | -6.9 | -4.8 | - |
| Net income (loss) | 4.5 | -6.5 | - | -6.9 | - | 1.8 | -6.3 | - |
| Restructuring charges | -0.3 | -4.4 | - | -0.1 | - | -0.8 | -8.0 | - |
| <i>Gross income excluding restructuring charges</i> | 24.7 | 20.4 | 21% | 21.6 | 14% | 85.2 | 74.1 | 15% |
| <i>Gross margin excluding restructuring charges</i> | 37.1% | 32.0% | - | 37.8% | - | 37.5% | 35.2% | - |
| <i>R&D expenses excluding restructuring charges</i> | -10.6 | -10.4 | - | -9.4 | - | -38.5 | -37.6 | - |
| <i>SG&A expenses excluding restructuring charges</i> | -8.2 | -7.6 | - | -4.9 | - | -26.0 | -26.7 | - |
| <i>Operating income (loss) excl. restructuring charges</i> | 6.5 | 2.6 | 152% | -4.0 | - | 11.4 | 9.3 | 23% |
| <i>Operating margin excluding restructuring charges</i> | 9.7% | 4.0% | - | -7.1% | - | 5.0% | 4.4% | - |
| <i>Operating income excl. restr. charges & SEC/DOJ charges ¹</i> | 5.7 | 2.6 | 123% | 7.4 | -23% | 22.1 | 9.3 | 139% |
| <i>Operating margin excl. restr. charges & SEC/DOJ charges ¹</i> | 8.6% | 4.0% | - | 13.0% | - | 9.7% | 4.4% | - |

¹ Operating income excludes restructuring charges in all periods and excludes cost provisions related to the resolution of the SEC and DOJ investigations of SEK -11.5 b. in Q3 2019 and a partial release of the same provision of SEK 0.7 b. in Q4 2019.

Fourth quarter comments

Provision for the resolution of the US SEC and DOJ investigations

In Q3 2019 a provision of SEK -11.5 b. was made to cover costs in connection with a future settlement with the United States Securities and Exchange Commission (SEC) and the United States Department of Justice (DOJ). In Q4 2019 a resolution was reached, and payments of a total of SEK 10.1 b. were made. Part of the remaining provision will cover future monitoring costs while SEK 0.7 b. of the provision was released in Q4 2019, with a positive impact on operating income. The initial provision and the partial release were reported as Other operating income and expenses in segment Emerging Business and Other.

Net sales

Reported sales increased by 4% YoY. Sales adjusted for comparable units and currency increased by 1% YoY with growth in market areas Middle East & Africa, North East Asia and South East Asia, Oceania and India. As anticipated, the ongoing operator merger discussion led to lower sales in North America while there was growth with other North American customers.

Networks sales adjusted for comparable units and currency increased by 2% YoY, with strong sales growth in Japan and Saudi Arabia partly offset by reduced sales in North America. Digital Services sales adjusted for comparable units and currency decreased by -3% YoY, due to lower sales in North East Asia. Managed Services sales adjusted for comparable units and currency declined by -1% YoY. Sales adjusted for comparable units and currency in Emerging Business and Other increased by 9% YoY, driven by growth in iconectiv and IoT.

Sequentially, sales increased by 16%.

IPR licensing revenues

IPR licensing revenues increased to SEK 2.5 (2.1) b. YoY, mainly due to new contracts and currency effects from a stronger USD versus SEK. Revenues increased from SEK 2.4 b. QoQ, supported by a new contract.

Gross margin

Gross margin increased to 36.8% (25.7%). Gross margin excluding restructuring charges increased to 37.1% (32.0%), mainly driven by improvements in Digital Services, where the gross margin in Q4 2018 was impacted by costs related to a revised Business Support Systems (BSS) strategy. Managed Services gross margin improved, mainly as an effect of efficiency gains. Networks gross margin excluding restructuring charges was stable at 41.1% (41.0%), since operational leverage compensated for an increased portion of strategic contracts and a negative effect from the acquired Kathrein business. Higher IPR licensing revenues had a positive impact on gross margin YoY.

Sequentially, gross margin decreased to 36.8% from 37.7%. Gross margin excluding restructuring charges decreased to 37.1% from 37.8%, mainly due to lower gross margins in Networks and Managed Services. Networks gross margin declined with a negative impact from strategic contracts and the acquired business partly offset by a favorable business mix and operational leverage. Managed Services gross margin declined, mainly due to lower add-on sales.

Operating expenses

Operating expenses increased to SEK -19.0 (-18.0) b. YoY. Operating expenses excluding restructuring charges increased to SEK -18.9 (-17.6) b. The acquired Kathrein business added expenses of SEK -0.3 b. while the 51% divestment of MediaKind

reduced operating expenses by SEK 0.6 b. YoY. Currency effects had a negative impact on operating expenses YoY.

R&D expenses excluding restructuring charges increased slightly to SEK -10.6 (-10.4) b. R&D expenses increased in both Networks and Managed Services while they declined in Digital Services and in Emerging Business and Other. The net impact of capitalized and amortized R&D expenses was SEK 0.2 (-0.6) b.

Selling and administrative (SG&A) expenses excluding restructuring charges increased to SEK -8.2 (-7.6) b. YoY. Revaluation of customer financing was SEK -0.2 (0.0) b. Increased investments in corporate projects for digital transformation, compliance and security impacted SG&A expenses negatively YoY.

Impairment losses on trade receivables were SEK -0.2 (0.4) b.

Sequentially, total operating expenses increased to SEK -19.0 b. from SEK -14.2 b. A refund of social security costs in Sweden of SEK 0.9 b. was made in Q3 2019. Increased impairment losses on trade receivables and the acquired Kathrein business together added expenses of SEK 0.7 b. QoQ. Continued investments in R&D, seasonality between quarters and higher provisions for variable compensation also impacted operating expenses negatively QoQ.

Other operating income and expenses

Other operating income and expenses improved to SEK 0.8 (-0.3) b. YoY and from SEK -11.3 b. QoQ. A cost provision of SEK -11.5 b. related to the resolution of the US SEC and DOJ investigations impacted Q3 2019. SEK 0.7 b. of this provision was released in Q4 2019, with a positive impact. ST-Ericsson, a former joint venture, between Ericsson and STMicroelectronics, was split up between its owners in 2013. In the ongoing wind-down of the ST-Ericsson legal structure there was a non-cash negative impact of SEK -0.3 b. in the quarter. Q4 2018 was impacted by costs related to resetting the Edge Gravity business strategy in segment Emerging Business and Other.

Restructuring charges

Restructuring charges decreased to SEK -0.3 (-4.4) b. YoY. The main part of the restructuring charges in Q4 2018 was related to a revised BSS strategy in Digital Services.

Operating income and margin

Reported operating income improved to SEK 6.1 (-1.9) b. YoY. Operating income in Q4 2018 was negatively impacted by costs to reshape the BSS strategy. Operating income excluding restructuring charges was SEK 6.5 b. (operating margin 9.7%) and includes a positive impact from a partial release (SEK 0.7 b.) of a provision related to the resolution of the US SEC and DOJ investigations as well as a negative impact (SEK -0.3 b.) from the wind-down of the ST-Ericsson legal structure. Operating income in Q4 2018 was SEK 5.5 b. (operating margin 8.7%) excluding restructuring charges and costs related to the reshaped BSS strategy.

Sequentially operating income improved to SEK 6.1 b. from SEK -4.2 b., mainly due to the impact of the resolution of the US SEC and DOJ investigations of SEK -11.5 b. in Q3 2019 and SEK 0.7 b. in Q4 2019. The positive effect on operating income from sequentially higher sales was more than offset by increased operating expenses and a lower gross margin. The acquired Kathrein business had a negative impact of SEK -0.5 b. QoQ.

Financial income and expenses, net

The financial net improved to SEK -0.1 (-0.7) b. YoY and from SEK -0.7 b. QoQ, mainly due to positive currency hedge effects which derive from the hedge loan balance in USD. The currency hedge effect was SEK 0.2 b. compared with SEK -0.1 b. in Q4 2018 and SEK -0.3 b. in Q3 2019. The SEK strengthened against the USD between September 30, 2019 (SEK/USD rate 9.81) and December 31, 2019 (SEK/USD rate 9.32). Interest expenses on financial

leases were SEK -0.1 (0.0) b. in the quarter, as an effect of IFRS 16 implementation.

Taxes

Taxes were SEK -1.6 (-3.9) b. Taxes in Q4 2018 were negatively impacted by impairment of withholding tax assets and non-deductible expenses. The cost provision related to the resolution of the US SEC and DOJ investigations is handled as non tax-deductible. The Company has implemented IFRIC 23, which requires quarterly assessments of uncertain tax positions.

Net income and EPS

Net income increased to SEK 4.5 (-6.5) b. and EPS diluted increased to SEK 1.33 (-1.99).

Employees

The number of employees was 99,417 on December 31, 2019, a net increase of 3,530 employees in the quarter of which 3,385 employees joined Ericsson through the Kathrein business acquisition.

Full-year comments

Net sales

Sales increased by SEK 16.4 b. or 8% to SEK 227.2 (210.8) b. Networks sales increased by SEK 16.4 b. (12%), Digital Services sales increased by SEK 1.8 b. (5%), Managed Services sales decreased by SEK -0.2 b. (-1%) and Emerging Business and Other sales decreased by SEK -1.6 b. (-19%). Sales adjusted for comparable units and currency increased by 4%.

The sales increase in Networks was driven mainly by higher demand for radio access network (RAN) equipment. Networks sales growth adjusted for comparable units and currency was 6%.

In Digital Services, growth in the new portfolio was offset by lower legacy product sales. Sales growth adjusted for comparable units and currency was -1%.

The sales decline in Managed Services was mainly a result of contract exits. Sales adjusted for contract exits grew in 2019.

The sales decrease in segment Emerging Business and Other was due to the 51% divestment of MediaKind in February 2019. Sales growth adjusted for comparable units and currency was 14%, driven by iconectiv and IoT.

In the geographical dimension, sales were driven by growth in North America and North East Asia.

The sales mix by commodity was: software 21% (21%), hardware 38% (37%) and services 41% (42%).

IPR licensing revenues

IPR licensing revenues increased to SEK 9.6 (8.0) b., driven by new contracts and a stronger USD to SEK. The revenues from current IPR licensing contract portfolio are approximately SEK 10 b. on an annual basis.

Gross margin

Gross margin increased to 37.3% (32.3%) with improved margins in Networks, Digital Services and Managed Services. In Networks the negative impact from strategic contracts was offset by improved hardware margins, operational leverage and lower restructuring charges. Digital Services gross margin improved, since costs for a revised BSS strategy had a negative impact in 2018. Managed Services gross margin improved, driven by customer contract exits and efficiency measures. A reduced share of services sales and an increased share of IPR and licensing revenues had a positive impact on gross margin. Restructuring charges included in the gross margin decreased to SEK -0.3 (-5.9) b.

Operating expenses

Operating expenses decreased to SEK -64.2 (-66.8) b., with SG&A expenses of SEK -26.1 (-27.5) b., R&D expenses of SEK -38.8 (-38.9) b. and impairment losses on trade receivables of SEK 0.7 (-0.4) b. Restructuring charges included in operating expenses were SEK -0.5 (-2.1) b. Currency effects impacted operating expenses negatively while the 51% divestment of MediaKind had a positive impact on operating expenses.

R&D expenses were impacted by increased investments in R&D for Networks and Managed Services. This increase was partly offset by lower R&D in Digital Services and Emerging Business and Other. The net effect of capitalized and amortized development expenses was SEK 0.3 (-1.7) b. Restructuring charges impacted R&D expenses by SEK -0.3 (-1.3) b.

SG&A expenses were positively impacted by a refund of earlier paid social security costs in Sweden of SEK 0.9 b. and by lower restructuring charges of SEK -0.1 (-0.8) b. Currency effects and increased investments in corporate projects for digital transformation, compliance and security had a negative impact YoY. Costs for customer financing revaluation declined to SEK -0.7 (-1.1) b.

Other operating income and expenses

Other operating income and expenses was SEK -9.7 (-0.2) b. and was negatively impacted by SEK -10.7 b. in costs related to the resolution of the US SEC and DOJ investigations. In 2019 51% of MediaKind was divested with a capital gain of SEK 0.7 b. in the first quarter. Share in earnings of JV and associated companies was SEK -0.3 (0.1) b., negatively impacted by the 49% ownership in MediaKind. The Company's share in earnings of MediaKind was SEK -0.4 b. and the remaining investment is SEK 0.8 b.

Restructuring charges

Restructuring charges amounted to SEK -0.8 (-8.0) b. The cost reduction program announced in 2017 was completed in 2018. Restructuring costs related to the revised BSS strategy had a negative impact in 2018.

Operating income and margin

Operating income improved to SEK 10.6 (1.2) b. driven by higher gross margin and higher sales. This improvement was partly offset by SEK -10.7 b. in costs related to the resolution of the US SEC and DOJ investigations. Operating margin was 4.6% (0.6%). Operating margin excluding the SEC and DOJ costs of SEK -10.7 b. and excluding restructuring charges of SEK -0.8 b. was 9.7%. Operating margin excluding restructuring charges of SEK -8.0 b. was 4.4% in 2018.

Financial income and expenses, net

The financial net improved to SEK -1.8 (-2.7) b., mainly due to lower negative effects of foreign exchange revaluation, lower negative currency hedge effects and improved interest net. The currency hedge effects, which derive from the hedge loan balance in USD, impacted financial net by SEK -0.3 (-0.5) b. The SEK weakened against the USD between December 31, 2018 (SEK/USD rate 8.94) and December 31, 2019 (SEK/USD rate 9.32).

Taxes

Taxes were SEK -6.9 (-4.8) b. impacted by the increased income. Costs of SEK -10.7 b. related to the resolution of the US SEC and DOJ investigations are handled as non tax-deductible. Excluding these costs, the 2019 tax rate was approximately 35%. The Company has implemented IFRIC 23, which requires quarterly assessments of uncertain tax positions.

Net income and EPS

Net income improved to SEK 1.8 (-6.3) b., driven by higher operating income and an improved financial net. EPS diluted was SEK 0.67 (-1.98) and EPS (non-IFRS) was SEK 1.07 (0.27).

Employees

The number of employees was 99,417 on December 31, 2019, an increase of 4,058 employees compared with December 31, 2018. The increase derives mainly from the acquired Kathrein business and increased service delivery resources driven by higher sales. The increase was partly offset by the MediaKind divestment.

Market area sales

| SEK b. | Q4 2019 | | | | Total | Change | |
|------------------------------------|-------------|------------------|------------------|-----------------------------|-------------|-----------|------------|
| | Networks | Digital Services | Managed Services | Emerging Business and Other | | YoY | QoQ |
| South East Asia, Oceania and India | 6.8 | 1.4 | 1.0 | 0.0 | 9.2 | 12% | 24% |
| North East Asia | 7.3 | 1.9 | 0.3 | 0.1 | 9.7 | 16% | 53% |
| North America | 13.2 | 2.9 | 1.2 | 0.0 | 17.4 | -4% | -9% |
| Europe and Latin America | 10.0 | 4.1 | 3.3 | 0.1 | 17.5 | -2% | 22% |
| Middle East and Africa | 4.9 | 2.4 | 1.1 | 0.0 | 8.4 | 23% | 39% |
| Other ¹ | 2.2 | 0.4 | 0.0 | 1.5 | 4.2 | -6% | 4% |
| Total | 44.4 | 13.2 | 7.0 | 1.7 | 66.4 | 4% | 16% |

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

Fourth quarter comments

South East Asia, Oceania and India

Sales increased YoY across all segments driven by continued investments, primarily in LTE, by several major customers. Managed Services sales grew YoY, driven by add-on sales and YoY ramp-up of a contract signed in 2018.

North East Asia

Sales increased YoY. Network sales grew, driven by increased business volumes in Japan and initial launch of 5G in China. Digital Services sales decreased due to lower legacy product sales in China.

North America

Sales decreased YoY, with lower operator spending as a result of the uncertainty surrounding the announced operator merger while there was growth with other customers.

Europe and Latin America

Sales decreased YoY. Sales grew in Europe, driven by earlier announced contract wins. This growth was however more than offset by a decline in Latin America due to large deployments in 2018.

Middle East and Africa

Sales grew across all segments YoY. Networks sales grew on the back of ongoing 4G and 5G deployment in key markets in the Middle East. Digital Services sales grew, driven by 5G core deployment and achievement of project milestones in certain critical contracts. Managed Services sales grew, partly driven by add-on sales.

Other

Sales decreased YoY due to the 51% divestment of the media business, which was transferred to MediaKind. IPR licensing revenues amounted to SEK 2.5 (2.1) b.

| SEK b. | Jan-Dec 2019 | | | | Total | Change |
|------------------------------------|--------------|------------------|------------------|-----------------------------|--------------|-----------|
| | Networks | Digital Services | Managed Services | Emerging Business and Other | | YoY |
| South East Asia, Oceania and India | 21.9 | 4.0 | 3.8 | 0.1 | 29.8 | 1% |
| North East Asia | 20.3 | 4.9 | 1.0 | 0.2 | 26.4 | 18% |
| North America | 55.8 | 9.6 | 4.7 | 0.1 | 70.2 | 20% |
| Europe and Latin America | 33.9 | 12.6 | 12.1 | 0.4 | 59.0 | -1% |
| Middle East and Africa | 14.6 | 7.0 | 3.9 | 0.0 | 25.5 | 5% |
| Other ¹ | 8.5 | 1.7 | 0.0 | 6.0 | 16.3 | -1% |
| Total | 155.0 | 39.9 | 25.6 | 6.8 | 227.2 | 8% |

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

Full-year comments

South East Asia, Oceania and India

Sales remained stable in 2019. Growth in Managed Services was driven by add-on sales and by a contract that was signed in 2018. Digital Services sales decreased, due to lower legacy product sales in India.

North East Asia

Sales increased in 2019. The strong Networks sales growth was driven mainly by 5G deployment in South Korea, increased business volumes in Japan and initial launch of 5G in China. 4G in China continued to decline. Digital Services sales were stable.

North America

Sales increased in 2019. Networks sales increased driven by investments in 4G and 5G across all major customers. Digital Services sales increased as operators digitalize in preparation for 5G. Managed Services sales grew, driven by strong add-on sales in

large customer contracts. Uncertainties regarding the pending operator merger impacted investment willingness in Q4 2019.

Europe and Latin America

Sales decreased slightly in 2019. Growth in Europe was driven by previously announced contract wins, partly offset by renegotiation and exits of low-performing and non-strategic businesses. Sales in Latin America declined due to timing of large deployment projects.

Middle East and Africa

Sales increased in 2019 in Networks and Digital Services, driven by 4G and 5G investments in the Middle East. Managed Services sales declined due to exit of non-strategic contracts.

Other

Sales declined as a result of the 51% divestment of the media business, which was transferred to MediaKind. IPR licensing revenues amounted to SEK 9.6 (8.0) b.

Segment results

Networks

| SEK b. | Q4 2019 | Q4 2018 | YoY change | Q3 2019 | QoQ change | Jan-Dec 2019 | Jan-Dec 2018 | YoY change |
|--|------------|------------|---------------|------------|---------------|-----------------|-----------------|---------------|
| Net sales | 44.4 | 41.6 | 7% | 39.3 | 13% | 155.0 | 138.6 | 12% |
| <i>Of which products</i> | 31.2 | 29.8 | 5% | 27.5 | 13% | 109.1 | 96.9 | 13% |
| <i>Of which IPR licensing revenues</i> | 2.0 | 1.8 | 14% | 2.0 | 2% | 7.9 | 6.5 | 21% |
| <i>Of which services</i> | 13.3 | 11.8 | 12% | 11.8 | 13% | 45.9 | 41.6 | 10% |
| <i>Sales growth adjusted for comparable units and currency</i> | - | - | 2% | - | - | - | - | 6% |
| Gross income | 18.3 | 16.6 | 10% | 16.3 | 12% | 64.7 | 55.2 | 17% |
| Gross margin | 41.1% | 39.9% | - | 41.6% | - | 41.8% | 39.8% | - |
| Operating income | 6.4 | 6.9 | -7% | 7.2 | -11% | 24.8 | 19.4 | 28% |
| Operating margin | 14.4% | 16.5% | - | 18.4% | - | 16.0% | 14.0% | - |
| Restructuring charges | 0.0 | -0.4 | - | 0.0 | - | -0.1 | -1.8 | - |
| <i>Gross income excl. restructuring charges</i> | 18.3 | 17.1 | 7% | 16.3 | 12% | 64.7 | 56.5 | 14% |
| <i>Gross margin excl. restructuring charges</i> | 41.1% | 41.0% | - | 41.6% | - | 41.8% | 40.8% | - |
| <i>Operating income excl. restructuring charges</i> | 6.4 | 7.3 | -11% | 7.2 | -11% | 24.8 | 21.2 | 17% |
| <i>Operating margin excl. restructuring charges</i> | 14.5% | 17.5% | - | 18.4% | - | 16.0% | 15.3% | - |

Fourth quarter comments

Net sales

Reported sales increased by 7% YoY, while sales adjusted for comparable units and currency increased by 2% YoY. The increase was driven by investments in LTE and 5G networks with strong growth particularly in Japan and Saudi Arabia.

Sales increased by 13% QoQ, which is less than normal seasonality. Sales increased QoQ in all market areas, apart from North America.

Gross margin

Gross margin increased to 41.1% (39.9%) YoY. Gross margin excluding restructuring charges remained stable at 41.1% (41.0%). Operational leverage compensated for an increased portion of strategic contracts and a negative effect from the acquired Kathrein business (of SEK -0.2 b. equal to -0.5 percentage points), demonstrating the strong underlying business fundamentals. Strategic contracts are taken to strengthen the market position and have a positive overall margin contribution but initially low or negative margins.

Gross margin decreased QoQ to 41.1% from 41.6%. The dilutive margin effect from the acquired business and strategic contracts was partly offset by a favorable business mix and operational leverage.

Operating income and margin

Operating income decreased to SEK 6.4 (6.9) b. YoY and operating margin decreased to 14.4% (16.5%). Operating income excluding restructuring charges was SEK 6.4 (7.3) b. and the corresponding operating margin was 14.5% (17.5%). The decrease in operating income in the quarter, despite stable sales and gross margin, is due to an increase in operating expenses of SEK 2.2 b. The increase in operating expenses is a result of continued investments in R&D for 5G and in corporate projects for digital transformation, compliance and security. The acquired Kathrein business had a negative impact of SEK -0.5 b., corresponding to -1 percentage point in Networks operating margin. Impairment losses on trade receivables and provisions for customer financing impacted operating expenses by SEK -0.3 (0.3) b.

Operating income decreased to SEK 6.4 b. from SEK 7.2 b. QoQ and operating margin decreased to 14.4% from 18.4%. There was no impact of restructuring charges in the quarter or in the previous quarter. The decrease in operating income was driven by higher operating expenses due to increased investments in R&D for 5G and in corporate projects for digital transformation, compliance, and security. Impairment losses on trade receivables and provisions for customer financing impacted operating expenses by SEK -0.3 b. compared with SEK 0.0 b. in Q3 2019.

Full-year comments

Net sales

Reported sales increased by 12% in 2019 to SEK 155.0 (138.6) b. Sales adjusted for comparable units and currency increased by 6%. The sales increase was primarily in the US, South Korea, Italy, Germany and Saudi Arabia, driven by operator investments in LTE and 5G networks. The Networks share of IPR licensing revenues was SEK 7.9 (6.5) b.

Gross margin

Gross income increased to SEK 64.7 (55.2) b. while gross margin increased to 41.8% (39.8%). The impact of strategic contracts was more than offset by improved hardware margins and operational leverage. Lower restructuring charges in 2019 contributed positively.

Operating income and margin

Operating income increased to SEK 24.8 (19.4) b. Higher sales and gross margin as well as lower restructuring charges had a positive impact that was partly offset by increased operating expenses. Operating expenses increased mainly due to higher investments in R&D in line with the ambition to continue to strengthen the technology leadership and increased investments in corporate projects for digital transformation, compliance and security. Impairment losses on trade receivables impacted operating expenses by SEK -0.1 (-0.3) b.

Net impact from amortization and capitalization of development expenses and from recognition and deferral of hardware costs was SEK 1.1 (-0.3) b. Restructuring charges were SEK -0.1 (-1.8) b. Operating margin increased to 16.0% (14.0%).

Strategy execution

The target for Networks is to generate an operating margin of 15-17% (excluding restructuring charges) by 2020. Important ongoing strategic activities are to:

- Invest in R&D to safeguard a leading product portfolio and cost leadership
- Increase investments in automation and serviceability driving down costs
- Selectively gain market shares based on technology and cost competitiveness.

In addition, the acquired Kathrein antenna and filter business brings competence and capabilities to support the transformation of the antenna domain into multiple frequencies and multiple technologies. Radios and antennas are being consolidated and integrated to optimize network performance and to further improve performance, capacity and coverage for 5G.

At the close of the quarter Ericsson had announced 78 commercial 5G agreements with unique operators, publicly announced 32 5G contracts, and 24 live 5G networks across the globe.

Digital Services

| SEK b. | Q4 2019 | Q4 2018 | YoY change | Q3 2019 | QoQ change | Jan-Dec 2019 | Jan-Dec 2018 | YoY change |
|---|------------|------------|---------------|------------|---------------|-----------------|-----------------|---------------|
| Net sales | 13.2 | 13.0 | 1% | 9.9 | 33% | 39.9 | 38.1 | 5% |
| Of which products | 7.3 | 7.5 | -2% | 5.6 | 31% | 21.5 | 20.5 | 5% |
| Of which IPR licensing revenues | 0.4 | 0.4 | 14% | 0.4 | 2% | 1.7 | 1.4 | 21% |
| Of which services | 5.8 | 5.5 | 5% | 4.3 | 36% | 18.4 | 17.6 | 4% |
| Sales growth adjusted for comparable units and currency | - | - | -3% | - | - | - | - | -1% |
| Gross income | 4.9 | -1.2 | - | 3.7 | 31% | 14.8 | 8.3 | 78% |
| Gross margin | 37.2% | -9.5% | - | 37.9% | - | 37.2% | 21.8% | - |
| Operating income (loss) | -0.2 | -7.1 | - | -0.7 | - | -4.0 | -13.9 | - |
| Operating margin | -1.2% | -54.5% | - | -6.7% | - | -10.1% | -36.4% | - |
| Restructuring charges | -0.2 | -3.5 | - | -0.1 | - | -0.6 | -5.4 | - |
| Gross income excl. restructuring charges | 5.0 | 2.1 | 136% | 3.8 | 33% | 15.1 | 12.3 | 22% |
| Gross margin excl. restructuring charges | 38.1% | 16.4% | - | 38.3% | - | 37.8% | 32.4% | - |
| Operating income (loss) excl. restructuring charges | 0.0 | -3.5 | - | -0.5 | - | -3.4 | -8.5 | - |
| Operating margin excl. restructuring charges | 0.3% | -27.2% | - | -5.4% | - | -8.6% | -22.3% | - |

Fourth quarter comments

Net sales

Reported sales increased by 1% YoY. Sales adjusted for comparable units and currency decreased by -3% YoY, due to lower 4G core sales in North East Asia where the transition to 5G is ongoing. The customer demand for the new portfolio is strong. In the quarter there was growth in OSS, Cloud infrastructure and services.

Gross margin

Gross margin increased to 37.2% (-9.5%) YoY. Gross margin excluding restructuring charges increased to 38.1% (16.4%). Gross margin in Q4 2018 was negatively impacted by costs related to the revised BSS strategy. Cost reductions had a positive impact YoY.

Gross margin excluding restructuring charges declined slightly to 38.1% from 38.3% QoQ with a continued negative impact from the remainder of the 45 critical contracts.

Operating income (loss)

Operating income was SEK -0.2 (-7.1) b. Operating income excluding restructuring charges was SEK 0.0 (-3.5) b., with a positive impact from increased gross margin and from lower operating expenses. The net impact of capitalized and amortized development expenses was SEK -0.1 (-0.6) b. in the quarter.

Sequentially, operating income excluding restructuring charges improved to SEK 0.0 b. from SEK -0.5 b., driven by higher sales.

Full-year comments

Net sales

Reported sales increased by 5% in 2019 driven by growth in North America. Services sales increased driven by customer support. Sales in the new portfolio grew by 7% driven by customer investments in 4G and 5G, while sales in legacy products declined. Sales adjusted for comparable units and currency decreased by -1% YoY.

Gross margin

Gross margin increased to 37.2% (21.8%). Gross margin excluding restructuring charges improved to 37.8% (32.4%). 2018 was negatively impacted by costs related to the revised BSS strategy.

Operating income (loss)

Operating income improved to SEK -4.0 (-13.9) b. Operating income excluding restructuring charges improved to SEK -3.4 (-8.5) b., supported by higher gross margin and higher sales. In addition, operating expenses excluding restructuring charges declined by SEK -2.2 b. despite a currency headwind. The net impact of capitalized and amortized development expenses was SEK -0.9 (-1.8) b.

Strategy execution

Top priority is to continue to grow the new portfolio while turning Digital Services into a profitable business, targeting low single-digit operating margin by 2020 (excluding restructuring charges).

There is a strong business momentum in the new Digital Services portfolio of 5G and cloud-native products. Full-year sales of the new portfolio increased by 7%, driven by customer investments in 4G and 5G.

A key activity for turnaround of the Digital Services business is to complete, renegotiate or exit 45 identified critical and non-strategic customer contracts. Six contracts were addressed in the quarter, and a total of 35 contracts have been addressed to date. This is in line with the plan from 2017, to have addressed 75% of the contracts by the end of 2019.

In order to capture software value and protect the services margin, there is an increased focus on reducing systems integration costs by increasing serviceability and automation.

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

The execution of the revised BSS strategy announced in January 2019, is progressing according to plan, attracting both existing and new customers, with several important new BSS contracts signed during the year.

Managed Services

| SEK b. | Q4 2019 | Q4 2018 | YoY change | Q3 2019 | QoQ change | Jan-Dec 2019 | Jan-Dec 2018 | YoY change |
|--|------------|------------|---------------|------------|---------------|-----------------|-----------------|---------------|
| Net sales | 7.0 | 6.9 | 2% | 6.4 | 11% | 25.6 | 25.8 | -1% |
| <i>Sales growth adjusted for comparable units and currency</i> | - | - | -1% | - | - | - | - | -4% |
| Gross income | 1.0 | 0.8 | 33% | 1.1 | -9% | 4.0 | 2.9 | 38% |
| Gross margin | 14.8% | 11.4% | - | 17.9% | - | 15.6% | 11.2% | - |
| Operating income | 0.3 | 0.3 | 2% | 0.6 | -48% | 2.3 | 1.1 | 111% |
| Operating margin | 4.2% | 4.1% | - | 8.8% | - | 9.0% | 4.2% | - |
| Restructuring charges | 0.0 | -0.1 | - | 0.0 | - | 0.0 | -0.3 | - |
| <i>Gross income excl. restructuring charges</i> | 1.1 | 0.9 | 27% | 1.1 | -5% | 4.0 | 3.1 | 29% |
| <i>Gross margin excl. restructuring charges</i> | 15.4% | 12.4% | - | 17.9% | - | 15.8% | 12.2% | - |
| <i>Operating income excl. restructuring charges</i> | 0.3 | 0.4 | -6% | 0.6 | -41% | 2.4 | 1.4 | 72% |
| <i>Operating margin excl. restructuring charges</i> | 4.8% | 5.2% | - | 8.9% | - | 9.2% | 5.3% | - |

Fourth quarter comments

Net sales

Reported sales increased by 2% YoY. Managed Services sales adjusted for comparable units and currency declined by -1% YoY. Sales in Optimization (project business) showed growth.

Gross margin

Gross margin increased to 14.8% (11.4%) YoY, mainly as a result of efficiency gains.

Sequentially gross margin decreased to 14.8% from 17.9%, mainly as a result of higher add-on sales in Q3 2019.

Operating income and margin

Operating income was SEK 0.3 (0.3) b. An improved gross margin was offset by increased expenses, mainly investments in R&D.

Operating income declined QoQ to SEK 0.3 b from SEK 0.6 b. due to lower gross margin and seasonally higher operating expenses, including corporate investments in digital transformation, compliance and security.

Full-year comments

Net sales

Reported sales decreased by -1% YoY. Sales adjusted for customer contract exits increased.

Sales adjusted for comparable units and currency decreased by -4% YoY, mainly as a result of customer contract exits.

Gross margin

Gross margin increased to 15.6% (11.2%) YoY. Gross margin excluding restructuring charges increased to 15.8% (12.2%), mainly as a result of efficiency measures and customer contract exits.

Operating income and margin

Operating income increased to SEK 2.3 (1.1) b. YoY. Operating income excluding restructuring charges improved to SEK 2.4 (1.4) b. due to a positive effect from reversal of a provision for impairment of trade receivables made in Q1 2019, of SEK 0.7 b., and higher gross margin.

Operating margin was 6.3%, excluding restructuring charges and the positive effect from reversal of a provision for impairment of trade receivables of SEK 0.7 b. in Q1 2019. The operating margin development is in line with the 2020 target.

Restructuring charges amounted to SEK 0.0 (-0.3) b.

Strategy execution

The target for Managed Services is to have an operating margin of 5-8% (excluding restructuring charges) in 2020.

Artificial Intelligence (AI) and automation are essential to managing the increasing complexity of current and future networks. In 2019 Ericsson launched a new AI-based managed services offering for operators – Ericsson Operations Engine. With this offering, network and IT operations will shift from being reactive to proactive, data-driven operations, making sense of billions of data points so that actions can be taken before network issues impact customer experience. This will enable operators to address the increasing network complexity, the increasing volumes of devices, multiple technologies such as 4G, 5G and IoT and more diverse service requirements.

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

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

| SEK b. | Q4 2019 | Q4 2018 | YoY change | Q3 2019 | QoQ change | Jan-Dec 2019 | Jan-Dec 2018 | YoY change |
|--|------------|------------|---------------|------------|---------------|-----------------|-----------------|---------------|
| Net sales | 1.7 | 2.3 | -24% | 1.6 | 6% | 6.8 | 8.4 | -19% |
| <i>Of which Emerging Business and iconectiv</i> | 1.1 | 1.0 | 10% | 1.1 | 6% | 4.3 | 3.4 | 27% |
| <i>Of which Red Bee Media</i> | 0.6 | 0.6 | 6% | 0.6 | 2% | 2.4 | 2.3 | 4% |
| <i>Of which Media Solutions</i> | 0.0 | 0.7 | -100% | 0.0 | - | 0.1 | 2.7 | -97% |
| <i>Sales growth adjusted for comparable units and currency</i> | - | - | 9% | - | - | - | - | 14% |
| Gross income | 0.2 | 0.2 | 9% | 0.3 | -29% | 1.3 | 1.8 | -30% |
| Gross margin | 13.4% | 9.3% | - | 20.2% | - | 18.9% | 21.9% | - |
| Operating income (loss) | -0.4 | -1.9 | - | -11.3 | - | -12.5 | -5.4 | - |
| Operating margin | -23.2% | -83.3% | - | -695.8% | - | -184.0% | -64.5% | - |
| Restructuring charges | 0.0 | -0.4 | - | 0.0 | - | -0.1 | -0.6 | - |
| <i>Gross income excl. restructuring charges</i> | 0.3 | 0.4 | -33% | 0.3 | -22% | 1.3 | 2.1 | -38% |
| <i>Gross margin excl. restructuring charges</i> | 15.1% | 17.1% | - | 20.5% | - | 19.6% | 25.4% | - |
| <i>Operating income excl. restructuring charges</i> | -0.4 | -1.5 | - | -11.3 | - | -12.4 | -4.8 | - |
| <i>Of which Emerging Business, iconectiv and common costs</i> | -0.5 | -0.9 | - | -0.5 | - | -2.0 | -2.8 | - |
| <i>Of which Red Bee Media</i> | 0.0 | -0.1 | - | 0.0 | - | 0.0 | -0.3 | - |
| <i>Of which Media Solutions</i> | -0.3 | -0.5 | - | -0.3 | - | -0.3 | -1.7 | - |
| <i>Of which adjustments in Q3 and Q4 2019 ¹</i> | 0.5 | - | - | -10.5 | - | -10.1 | - | - |
| <i>Operating margin excl. restructuring charges</i> | -21.4% | -67.1% | - | -695.1% | - | -183.0% | -57.4% | - |

¹ Includes cost provisions of SEK -11.5 b. related to the resolution of the SEC and DOJ investigations in Q3 2019, and a partial release of the same provision of SEK 0.7 b. in Q4 2019. Includes winding down non-cash costs of the ST-Ericsson legal structure of SEK -0.3 b. in Q4 2019. Includes a social security cost refund of SEK 0.9 b. in Q3 2019.

Fourth quarter comments

Net sales

Reported sales decreased by -24% YoY, due to the 51% divestment of MediaKind. Sales adjusted for comparable units and currency increased by 9% YoY, driven by growth in iconectiv and IoT.

Gross margin

Gross margin increased to 13.4% (9.3%) YoY. Gross margin excluding restructuring charges declined to 15.1% (17.1%). The decline was due to the divestment of 51% of MediaKind and project losses in the legacy media business.

Sequentially gross margin decreased to 13.4% from 20.2%. Gross margin excluding restructuring charges decreased to 15.1% from 20.5% due to project losses in the legacy media business.

Operating income (loss)

Operating income was positively impacted by SEK 0.7 b. related to a partial release of a previously made cost provision related to the resolution of the US SEC and DOJ investigations. The positive impact was partly offset by the wind-down of the ST-Ericsson legal structure with a non-cash negative impact of SEK -0.3 b. Operating income excluding restructuring charges and these items was SEK -0.8 b.

Media Solutions operating income excluding restructuring charges was SEK -0.3 (-0.5) b. The operating income includes Ericsson's 49% share in earnings of the MediaKind business.

Red Bee Media operating income excluding restructuring charges was close to break-even and improved to SEK 0.0 (-0.1) b.

Emerging Business, iconectiv and common costs operating income excluding restructuring charges was SEK -0.5 (-0.9) b. A cost of SEK

-0.3 b. for resetting the Edge Gravity business was included in Q4 2018. In addition, iconectiv operating income improved YoY.

Full-year comments

Net sales

Reported sales decreased by -19% in 2019 due to the 51% divestment of MediaKind in February 2019. Sales adjusted for comparable units and currency increased by 14% YoY driven by growth in the iconectiv business through a multi-year number portability contract in the United States.

Gross margin

Gross margin declined mainly due to the 51% divestment of MediaKind. The decline was partly offset by lower restructuring charges.

Operating income (loss)

Operating income was impacted by costs of SEK -10.7 b. related to the resolution of the US SEC and DOJ investigations, a refund of earlier paid social security costs in Sweden of SEK 0.9 b. and by costs of SEK -0.3 b. related to the wind-down of the ST-Ericsson legal structure.

Operating income in Emerging Business, iconectiv and common costs improved, driven by profitable growth in iconectiv. Red Bee Media income improved supported by profit improvement activities and a capital gain of SEK 0.7 b. from a divestment in Q1 2019. Media Solutions income improved driven by the 51% divestment of Media Kind, including a capital gain from the transaction.

Strategy execution

Emerging Business and iconectiv

A lean start-up approach with selective investments has been implemented in Emerging Business, to build a position and grow sales in new areas, leveraging Ericsson's core business. Apart from iconectiv (software-based solutions for number portability), the portfolio is still in an early investment phase and focus is on generating sales and scaling the business. Within IoT, Ericsson offers global connectivity management for billions of IoT devices and connections. The main go-to-market model is via mobile operators, leveraging access to licensed spectrum. In Q4 2019, Ericsson divested its enterprise cloud billing solution in line with the focused business strategy.

Red Bee Media

The target remains to achieve a sustainable business by continuing to develop the business as an independent and focused media services entity within Ericsson.

Media Solutions

51% of the MediaKind business was divested on February 1, 2019. After the transaction, Ericsson carries 49% of the MediaKind results as "share in earnings of JV and associated companies".

Cash flow

| SEK b. | Q4 2019 | Q4 2018 | Q3 2019 | Jan-Dec 2019 | Jan-Dec 2018 |
|---|------------|------------|------------|-----------------|-----------------|
| Net income reconciled to cash | 8.0 | -0.1 | -4.3 | 14.1 | 1.6 |
| Changes in operating net assets | -7.5 | 4.4 | 11.3 | 2.8 | 7.8 |
| Cash flow from operating activities | 0.5 | 4.3 | 7.0 | 16.9 | 9.3 |
| Cash flow from investing activities | -4.8 | -2.2 | -3.1 | -3.5 | -4.1 |
| Cash flow from financing activities | 0.1 | -0.6 | 0.2 | -6.9 | -4.1 |
| Effect of exchange rate changes on cash | -1.9 | 0.8 | 1.6 | 0.3 | 1.4 |
| Net change in cash and cash equivalents | -6.1 | 2.3 | 5.7 | 6.7 | 2.5 |
| Free cash flow excluding M&A | -1.9 | 3.0 | 4.5 | 7.6 | 4.3 |
| Free cash flow | -3.2 | 3.0 | 4.0 | 6.1 | 3.0 |

Fourth quarter comments

Operating activities

Cash flow from operating activities was SEK 0.5 (4.3) b. This included payments of SEK 10.1 b. related to the resolution of the US SEC and DOJ investigations. Cash flow was supported by a positive income and by reduction in inventories following increased deliveries in the quarter. Trade receivables increased on the back of the increased business activity. Sale of trade receivables continued to trend downwards and decreased YoY. Due to the increase in 5G buildout this year, demand for customer financing solutions has increased. Most of such financing has been successfully transferred to banks and the balance of customer finance credits on the balance sheet remains low. Provisions of SEK -12.5 b. were utilized in the quarter, of which SEK -10.1 b. was related to the resolution of the US SEC and DOJ investigations and SEK -0.1 b. was related to restructuring.

Investing activities

Cash flow from investing activities was SEK -4.8 (-2.2) b. Investments in property, plant and equipment was SEK -1.5 (-1.1) b. and included increased investments in 5G test equipment and manufacturing capabilities. Capitalized development expenses were SEK -0.3 (-0.2) b. M&A was SEK -1.3 (0.0) b. and included the acquisition of Kathrein antenna and filter business.

Financing activities

Cash flow from financing activities was SEK 0.1 (-0.6) b. Ericsson drew on the credit facility of USD 150 million, from the Nordic Investment Bank (NIB), which was signed in December 2019 to support investments in R&D for 5G technology. Part of the new funds, USD 98 million, replaced a credit with NIB that was set to mature in 2021, resulting in a net increase in funding of USD 52 million. The new facility is set to mature in 2025.

Free cash flow

Free cash flow excluding M&A was SEK -1.9 (3.0) b. and free cash flow (including M&A) was SEK -3.2 (3.0) b. In order to more accurately represent the cash flows that can be used to expand the business, pay dividends and reduce debt, the definitions of free cash flow and free cash flow excluding M&A have been adjusted to include amortization of lease liabilities. Please see section "Accounting Policies" for additional details and updated reconciliation table in "Alternative performance measures".

Effects of implementation of IFRS 16 "Leases"

Cash flow from operating activities was positively impacted by SEK 0.1 b. from the implementation of IFRS 16 "Leases". Financing

activities were negatively impacted by amortization of the leasing liability of the same amount.

Full-year comments

Operating activities

Cash flow from operating activities reached SEK 16.9 (9.3) b. mainly supported by improved income. Working capital efficiency has improved as a result of a strong focus on cash flow. Accounts receivables days of sales outstanding improved to 75 (91) days and working capital days improved to 75 (89) days. Sale of trade receivables continued to trend downwards and decreased YoY. Due to the increase in 5G buildout this year, demand for customer financing solutions has increased. Most of such financing has been successfully transferred to banks and the balance of customer finance credits on the balance sheet remains low. The ambition is to maintain working capital efficiency and thereby effectively convert income to cash. Cash outlays related to provisions were SEK -7.6 (-6.9) b., of which SEK -1.8 (-4.1) b. was related to restructuring charges.

Investing activities

Cash flow from investing activities was SEK -3.5 (-4.1) b., where interest-bearing securities impacted by SEK 4.2 (2.2) b. Investments in property, plant and equipment was SEK -5.1 (-4.0) b. The increase was mainly due to investments in 5G test equipment. Capitalized development expenses increased to SEK -1.5 (-0.9) b. due to 5G development projects. M&A was SEK -1.5 (-1.3) b.

Financing activities

Cash flow from financing activities was SEK -6.9 (-4.1) b. Dividends of SEK 4.5 (3.4) b. were paid out. The impact of lease liabilities was SEK -3.0 (0.0) b.

Free cash flow

The improved result and focus on free cash flow, in combination with limited investing activities, resulted in free cash flow of SEK 6.1 (3.0) b. and in free cash flow excluding M&A of SEK 7.6 (4.3) b. The negative effect of payments related to the resolution of the US SEC and DOJ investigations was more than offset by improved income and working capital efficiency.

Effects of implementation of IFRS 16 "Leases"

Cash flow from operating activities had a positive impact of SEK 0.6 b. from the implementation of IFRS 16 "Leases". Financing activities were negatively impacted by amortization of the leasing liability of the same amount.

Financial position

| SEK b. | Dec 31 2019 | Dec 31 2018 | Sep 30 2019 |
|--|----------------|----------------|----------------|
| + Cash and cash equivalents | 45.1 | 38.4 | 51.2 |
| + Interest-bearing securities, current | 6.8 | 6.6 | 5.9 |
| + Interest-bearing securities, non-current | 20.4 | 24.0 | 19.2 |
| Gross cash | 72.2 | 69.0 | 76.2 |
| - Borrowings, current | 9.4 | 2.3 | 1.6 |
| - Borrowings, non-current | 28.3 | 30.9 | 37.2 |
| Net cash | 34.5 | 35.9 | 37.4 |
| Equity | 81.9 | 87.8 | 77.5 |
| Total assets | 276.4 | 268.8 | 288.5 |
| Capital turnover (times) | 1.4 | 1.4 | 1.4 |
| Return on capital employed (%) | 6.7% | 0.8% | 3.8% |
| Equity ratio (%) | 29.6% | 32.7% | 26.9% |
| Return on equity (%) | 2.6% | -7.1% | -3.6% |

Fourth quarter comments

Gross cash decreased by SEK -4.0 b. QoQ. Ericsson drew on the credit facility of USD 150 million from the Nordic Investment Bank (NIB), which was signed in December 2019 to support investments in R&D for 5G technology. Part of the new funds, USD 98 million, replaced a credit with NIB that was set to mature in 2021, resulting in a net increase in funding of USD 52 million. The new facility is set to mature in 2025. In addition, a credit facility agreement of EUR 250 million was signed in the quarter with the European Investment Bank (EIB). The credit facility is undrawn.

Net cash decreased by SEK 2.9 b. QoQ as a result of the negative free cash flow. Net cash does not include lease liabilities.

Liabilities for post-employment benefits decreased in the quarter, to SEK 35.8 b. from SEK 37.3 b.

Full-year comments

Gross cash increased to SEK 72.2 (69.0) b. while net cash decreased to SEK 34.5 (35.9) b.

Liabilities for post-employment benefits increased to SEK 35.8 (28.7) b. mainly due to lower discount rates. The Swedish defined benefit obligation (DBO) has been calculated using a discount rate based on the yields of Swedish government bonds. If the discount rate had been based on Swedish covered mortgage bonds, the liability for post-employment benefits would have been approximately SEK 9.8 b. lower as of December 31, 2019.

The average maturity of long-term borrowings was 2.7 years as of December 31, 2019, a decrease from 3.4 years 12 months earlier.

Ericsson has an unutilized revolving credit facility of USD 2.0 b., which will expire in 2022.

Ericsson drew on the credit facility of EUR 250 million, from the European Investment Bank (EIB), which was granted in 2018 to support R&D activities for 5G. The facility is set to mature in 2024.

Ericsson signed a new credit facility agreement of EUR 250 million with the European Investment Bank (EIB) in Q4 2019. The credit facility is undrawn.

Ericsson drew on the credit facility of USD 150 million, from the Nordic Investment Bank (NIB), which was signed in December 2019 to support investments in R&D for 5G technology. Part of the new funds, USD 98 million, replaced a credit with NIB that was set to mature in 2021, resulting in a net increase in funding of USD 52 million. The new facility is set to mature in 2025.

In July, Moody's changed their outlook on Ericsson's long-term rating from stable to positive. The rating of Ba2 was unchanged. In September, Standard & Poor's changed their rating outlook on Ericsson from stable to positive. The rating BB+ remained unchanged. In 2019, Ericsson solicited Fitch for credit rating services. Fitch's long-term rating for Ericsson is BBB- ("investment grade") with stable outlook.

The capital turnover remained at 1.4 (1.4) times.

Parent Company

Income after financial items was SEK -3.1 (5.8) b.

At the end of the year, gross cash (cash, cash equivalents, short-term investments and interest-bearing securities, non-current) amounted to SEK 56.7 (58.1) b.

There was a decrease in intercompany lending of SEK 4.3 b. and an increase in intercompany borrowing of SEK 2.0 b. in the quarter.

In the third quarter of 2019, a provision of SEK -11.5 b. was made to cover costs in connection with a future settlement with the United States Securities and Exchange Commission (SEC) and the United States Department of Justice (DOJ). In the fourth quarter, a

resolution was reached and payments of a total of SEK 10.1 b. were made to the SEC and DOJ. Part of the remaining provision will cover future monitoring costs while SEK 0.7 b. of the provision was released, with a positive impact on income.

In accordance with the conditions of the long-term variable compensation program (LTV) for Ericsson employees, 5,219,250 shares from treasury stock were distributed or sold to employees during the fourth quarter. The holding of treasury stock at December 31, 2019 was 19,853,247 Class B shares.

Dividend, AGM and Annual Report

Dividend proposal

The Board of Directors proposes to the Annual General Meeting a dividend to the shareholders of SEK 1.50 (1.00) per share for the financial year 2019, representing a total dividend of approximately SEK 5.0 (3.3) b. The dividend is proposed to be paid in two equal installments, SEK 0.75 per share with the record date April 2, 2020, and SEK 0.75 per share with the record date October 2, 2020. The proposed payment periods aim to facilitate a more efficient cash management. The dividend reflects this year's earnings and balance sheet structure, as well as coming years' business plans and expected economic development.

Ericsson Annual General Meeting

The Annual General Meeting of shareholders will be held on March 31, 2020, 15.00 (CET) at Kistamässan, Kista/Stockholm, Sweden.

Annual Report

The annual report will be made public and available on the Ericsson website www.ericsson.com in the first week of March.

Other information

Ericsson reached a resolution on U.S. FCPA investigations

On December 7, 2019, Ericsson announced the resolution of the previously disclosed investigations by the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) regarding the Company's compliance with the U.S. Foreign Corrupt Practices Act (FCPA). While the DOJ and SEC conduct separate investigations, the same facts have been shared by Ericsson with both authorities.

The resolution relates to historical FCPA breaches ending Q1 2017. While the Company had a compliance program and a supporting control framework, they were not adequately implemented. Specifically, certain employees in some markets, some of whom were executives in those markets, acted in bad faith and knowingly failed to implement sufficient controls. They were able to enter into transactions for illegitimate purposes and, together with people under their influence, used sophisticated schemes in order to hide their wrongdoing. The resolution marks the end of the FCPA-related investigations into Ericsson and its subsidiaries undertaken by the DOJ and the SEC.

The DOJ proceeding is a criminal enforcement action and the SEC proceeding is a civil enforcement action. The agencies resolve their investigation independently of one another using their own discretion and applying different standards of proof. As a result, the DOJ and SEC have come to different conclusions based on the same facts.

DOJ resolution

Ericsson has agreed to enter into a Deferred Prosecution Agreement (DPA) with the DOJ to resolve criminal charges relating to violation of bribery provision of the FCPA in Djibouti. The DPA also resolves criminal charges relating to violations of the accounting provisions of the FCPA in China, Djibouti, Indonesia, Kuwait, and Vietnam. In connection with the matter in Djibouti, Ericsson's Egyptian subsidiary pled guilty to bribery. As part of the resolution Ericsson paid a fine of USD 520,650,432.

SEC resolution

Ericsson has agreed with the SEC to the entry of a judgment to resolve claims related to allegations of violations of the accounting provisions of the FCPA in China, Djibouti, Indonesia, Kuwait, Saudi Arabia and Vietnam and of the bribery provisions of the FCPA in Djibouti, China and Saudi Arabia. As part of the resolution, Ericsson paid financial sanction of USD 458,380,000, plus pre-judgement interest of USD 81,540,000.

As part of the settlement, Ericsson has agreed to engage an independent compliance monitor for a period of three years while the Company continues to undertake significant reforms to strengthen its Ethics & Compliance program.

In parallel to the investigations, the Company has since 2016, together with external expert advisors, conducted a comprehensive review of the Company's anti-corruption program. Based on this review, Ericsson has been taking significant steps to improve its Ethics and Compliance program. Pursuant to the resolutions, Ericsson has agreed to continue enhancing its internal controls and its compliance program.

Improvements to Ericsson's Ethics and Compliance program include:

- Additional resources for the Compliance and Investigations functions
- Reorganizing the allegation management process to ensure a centralized, professional intake of allegations, conduct of investigations and remediation
- Refining the risk assessment process to consist of a tiered approach and systematic risk mitigation methodology
- Enhancing the due diligence process of third-parties, including the overall monitoring of third-party engagements
- Introducing more sophisticated analytic tools to better identify and prevent high-risk transactions and engagements
- Enhancing the ethics and compliance vetting process for senior leaders
- Refreshing compliance training modules for employees, including workshops and face-to-face training for employees in exposed roles
- Enhancing the internal anti-corruption and compliance related awareness campaigns (including the Company's zero tolerance for corruption).

Ongoing litigation with Sol IP

In December 2018, Sol IP sued AT&T, Verizon, and Sprint in East Texas, alleging infringement of 20 patents declared essential to the LTE standard. Sol IP is a non-practicing entity. The patents originated from Electronics and Telecommunications Research Institute (ETRI), a Korean government-funded research institution. In March 2019, Ericsson intervened in the litigation to defend its products against claims of infringement. In December 2019, Ericsson challenged the patentability of a number of the patents with the Patent Trial and Appeal Board. The first of several potential trials is scheduled to start in June 2020.

POST-CLOSING EVENTS

U.S. Securities class action

In April 2018, Telefonaktiebolaget LM Ericsson, the present President and CEO and the Chief Financial Officer of Ericsson as well as three former executives were named defendants in a putative class action filed in the United States District Court for the Southern District of New York. The complaint alleges violations of United States securities laws, principally in connection with service revenues and recognition of expenses on long-term service projects. In October 2018 the plaintiffs filed a first amended complaint. In December 2018 Ericsson filed a motion to dismiss the complaint. In January 2019 the plaintiffs filed a second amended complaint. Ericsson again filed a motion to dismiss the complaint. On January 11, 2020 the court granted Ericsson's motion to dismiss. At the same time the court granted plaintiffs leave to file a third amended complaint within thirty days.

Risk factors

Ericsson is exposed to a number of risks in its activities. To stimulate identification and support cross-functional treatment within the Ericsson Group, risks are grouped in a number of categories, including for example risks relating to technology, IPR, compliance, project execution, operations, products and services, treasury and accounting, the geopolitical environment, M&A, cyber security and occupational health and safety.

Ericsson's risk management is embedded into strategy development and operational processes and is a part of the Ericsson Group Management System to ensure accountability, effectiveness, efficiency, business continuity and compliance. Risks are defined in both a short-term and long-term perspective and are related to long-term objectives as per the strategic direction as well as to short-term objectives.

Risk factors and uncertainties of relevance to Ericsson are described in the Annual Report 2018. Updates to these risk factors and uncertainties observed by Ericsson that are deemed of short-term relevance include, but are not limited to, the following:

- In December 2019, Ericsson entered into a three-year Deferred Prosecution Agreement (DPA) with the US Department of Justice (DOJ) to resolve criminal charges related to violations of the FCPA. In the agreement, the DOJ agrees to defer the prosecution of those charges and to have them dismissed at the end of the term in exchange for Ericsson complying with the conditions of the DPA. Conditions include a payment by Ericsson of a fine of USD 520,650,432. As part of the resolution with the DOJ, Ericsson's Egyptian subsidiary entered a guilty plea to the bribery charge in Djibouti. Separately, Ericsson agreed to resolve civil charges brought by the Securities and Exchange Commission (SEC) relating to allegations of violations of the bribery and accounting provisions of the FCPA. Ericsson agreed to the entry of a judgment enjoining it from future violations of the FCPA and agreed to pay a financial sanction of USD 458,380,000, plus pre-judgment interest of USD 81,540,000. As part of the settlement, Ericsson agreed to engage an independent compliance monitor for a period of three years while the Company continues to undertake significant reforms to strengthen its Ethics & Compliance program.

In addition to the combined payment of USD 1.06 billion (SEK 10.1 b.), Ericsson could experience reputational harm and other negative consequences as a result of these matters. For example, customers or suppliers may reconsider their relationships with the Company, or governmental and regulatory authorities in the relevant jurisdictions or elsewhere could seek to penalize the Company or place restrictions on its operations. Harm to reputation, or any resulting disruption in customer or supplier relationships, could have a material adverse impact on Ericsson's business.

- As with other companies across the world, cyberattacks are targeting Ericsson's infrastructure, products, operations, and personnel, which requires the Company to invest in defensive countermeasures throughout the organization and in Ericsson's supply chain. As attacks continue to increase in frequency and severity, there is no guarantee that existing protections will prevent material adverse effects on Ericsson's business, operations, financial condition, reputation and brand.
- Geopolitical turbulence and trade frictions, e.g. between China and the USA, and continued or increased tension in parts of the world, such as the Middle East, may continue to prevail and to increasingly be a matter to address for Ericsson and its customers. This could result in material negative impact on Ericsson's global operations, lead to increased, unrecoverable, costs and may have a negative impact on the Company's profitability. It may also be disruptive to Ericsson's international supply chain and export/import activities (including component supply, manufacturing, sourcing and deliveries of products and services).

Stockholm, January 24, 2020

Telefonaktiebolaget LM Ericsson

The Board of Directors

Org. no. 556016-0680

Date for next report: April 22, 2020

Auditors' Review Report

Introduction

We have reviewed the condensed interim financial information (interim report) of Telefonaktiebolaget LM Ericsson (publ.) as of December 31, 2019, and the twelve 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, January 24, 2020
PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant
Auditor in Charge

Johan Engstam
Authorized Public Accountant

Editor's note

Press briefing and live webcast

Ericsson invites media, investors and analysts to a conference call on January 24, 2020 starting at 9:00 am CET.

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

www.ericsson.com/investors and
www.ericsson.com/press

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

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Forward-looking statements

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

- Our goals, targets, strategies, planning assumptions and operational or financial performance expectations, such as the investor day key messages and our targets and strategies as described in the introductory bullets, the CEO comments, the Segment descriptions and in Other information
- Industry trends, future characteristics and development of the markets in which we operate
- Our future liquidity, capital resources, capital expenditures, cost savings and profitability
- The expected demand for our existing and new products and services as well as plans to launch new products and services including research and development expenditures
- The ability to deliver on future plans and to realize potential for future growth
- The expected operational or financial performance of strategic cooperation activities and joint ventures
- The time until acquired entities and businesses will be integrated and accretive to income
- Technology and industry trends including the regulatory and standardization environment in which we operate, competition and our customer structure.

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

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

Important factors that could affect whether and to what extent any of our forward-looking statements materialize include, but are not limited to, the factors described in the section "Risk Factors", and in "Risk Factors" in the Annual Report 2018.

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

Financial statements and other information

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Financial statements

Consolidated income statement

| SEK million | Q4 | | | Jan-Dec | | |
|--|----------------|----------------|--------------|----------------|----------------|--------------|
| | 2019 | 2018 | Change | 2019 | 2018 | Change |
| Net sales | 66,373 | 63,809 | 4% | 227,216 | 210,838 | 8% |
| Cost of sales | -41,939 | -47,430 | -12% | -142,392 | -142,638 | -0% |
| Gross income | 24,434 | 16,379 | 49% | 84,824 | 68,200 | 24% |
| Gross margin (%) | 36.8% | 25.7% | | 37.3% | 32.3% | |
| Research and development expenses | -10,633 | -10,665 | -0% | -38,815 | -38,909 | 0% |
| Selling and administrative expenses | -8,222 | -7,685 | 7% | -26,137 | -27,519 | -5% |
| Impairment losses on trade receivables | -173 | 386 | -145% | 737 | -420 | -275% |
| Operating expenses | -19,028 | -17,964 | 6% | -64,215 | -66,848 | -4% |
| Other operating income and expenses ³¹ | 756 | -294 | -357% | -9,710 | -168 | - |
| Shares in earnings of JV and associated companies | -37 | 27 | -237% | -335 | 58 | - |
| Operating income (loss) | 6,125 | -1,852 | -431% | 10,564 | 1,242 | - |
| Financial income and expenses, net | -71 | -715 | -90% | -1,802 | -2,705 | -33% |
| Income after financial items | 6,054 | -2,567 | -336% | 8,762 | -1,463 | - |
| Taxes | -1,570 | -3,930 | -60% | -6,922 | -4,813 | 44% |
| Net income (loss) | 4,484 | -6,497 | -169% | 1,840 | -6,276 | -129% |
| Net income attributable to: | | | | | | |
| Stockholders of the Parent Company | 4,430 | -6,553 | | 2,223 | -6,530 | |
| Non-controlling interests | 54 | 56 | | -383 | 254 | |
| Other information | | | | | | |
| Average number of shares, basic (million) | 3,313 | 3,296 | | 3,306 | 3,291 | |
| Earnings (loss) per share, basic (SEK) ²³ | 1.34 | -1.99 | | 0.67 | -1.98 | |
| Earnings (loss) per share, diluted (SEK) ³³ | 1.33 | -1.99 | | 0.67 | -1.98 | |

³¹ Includes cost provisions related to the resolution of the SEC and DOJ investigations of SEK -11.5 b. in Q3 2019 and a partial release of the same provision of SEK 0.7 b. in Q4 2019.

²³ Based on net income (loss) attributable to stockholders of the Parent Company.

³³ Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

Statement of comprehensive income (loss)

| SEK Million | Q4 | | Jan-Dec | |
|--|--------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income (loss) | 4,484 | -6,497 | 1,840 | -6,276 |
| Other comprehensive income (loss) | | | | |
| Items that will not be reclassified to profit or loss | | | | |
| Remeasurements of defined benefits pension plans incl. asset ceiling | 1,984 | -2,950 | -6,182 | -2,453 |
| Revaluation of borrowings due to change in credit risk | -197 | 433 | -651 | 207 |
| Tax on items that will not be reclassified to profit or loss | -523 | 555 | 1,363 | 285 |
| Items that may be reclassified to profit or loss | | | | |
| Cash flow hedge reserve | | | | |
| Gains/losses arising during the period | 290 | - | -290 | - |
| Reclassification adjustments for gains/losses included in profit or loss | - | - | - | - |
| Adjustments for amounts transferred to initial carrying amount of hedged items | - | - | - | - |
| Revaluation of other investments in shares and participations | | | | |
| Fair value remeasurement | - | - | - | - |
| Changes in cumulative translation adjustments | -1,708 | 243 | 1,979 | 2,047 |
| Share of other comprehensive income on JV and associated companies | 17 | -1 | 131 | 14 |
| Tax on items that may be reclassified to profit or loss | -59 | - | 60 | - |
| Total other comprehensive income (loss), net of tax | -196 | -1,720 | -3,590 | 100 |
| Total comprehensive income | 4,288 | -8,217 | -1,750 | -6,176 |
| Total comprehensive income (loss) attributable to: | | | | |
| Stockholders of the Parent Company | 4,253 | -8,277 | -1,403 | -6,470 |
| Non-controlling interest | 35 | 60 | -347 | 294 |

Consolidated balance sheet

| SEK million | Dec 31 2019 | Sep 30 2019 | Dec 31 2018 |
|--|----------------|----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | | | |
| Capitalized development expenses | 4,040 | 4,024 | 4,237 |
| Goodwill | 31,200 | 32,565 | 30,035 |
| Intellectual property rights, brands and other intangible assets | 2,491 | 2,409 | 3,474 |
| Property, plant and equipment | 13,850 | 13,399 | 12,849 |
| Right-of-use assets | 8,487 | 8,617 | - |
| Financial assets | | | |
| Equity in JV and associated companies | 1,565 | 1,556 | 611 |
| Other investments in shares and participations | 1,432 | 1,406 | 1,515 |
| Customer finance, non-current | 2,262 | 2,495 | 1,180 |
| Interest-bearing securities, non-current | 20,354 | 19,157 | 23,982 |
| Other financial assets, non-current | 5,614 | 6,452 | 6,559 |
| Deferred tax assets | 31,174 | 30,818 | 23,152 |
| | 122,469 | 122,898 | 107,594 |
| Current assets | | | |
| Inventories | 30,863 | 36,056 | 29,255 |
| Contract assets | 12,171 | 13,004 | 13,178 |
| Trade receivables | 43,069 | 41,228 | 51,172 |
| Customer finance, current | 1,494 | 1,334 | 1,704 |
| Other current receivables | 14,479 | 16,962 | 20,844 |
| Interest-bearing securities, current | 6,759 | 5,866 | 6,625 |
| Cash and cash equivalents | 45,079 | 51,183 | 38,389 |
| | 153,914 | 165,633 | 161,167 |
| Total assets | 276,383 | 288,531 | 268,761 |
| Equity and liabilities | | | |
| Equity | | | |
| Stockholders' equity | 82,559 | 78,200 | 86,978 |
| Non-controlling interest in equity of subsidiaries | -681 | -725 | 792 |
| | 81,878 | 77,475 | 87,770 |
| Non-current liabilities | | | |
| Post-employment benefits | 35,817 | 37,345 | 28,720 |
| Provisions, non-current | 2,679 | 2,308 | 5,471 |
| Deferred tax liabilities | 1,224 | 857 | 670 |
| Borrowings, non-current | 28,257 | 37,153 | 30,870 |
| Lease liabilities, non-current | 7,595 | 7,888 | - |
| Other non-current liabilities | 2,114 | 2,163 | 4,346 |
| | 77,686 | 87,714 | 70,077 |
| Current liabilities | | | |
| Provisions, current | 8,244 | 19,699 | 10,537 |
| Borrowings, current | 9,439 | 1,622 | 2,255 |
| Lease liabilities, current | 2,287 | 2,226 | - |
| Contract liabilities | 29,041 | 34,499 | 29,348 |
| Trade payables | 30,403 | 30,672 | 29,883 |
| Other current liabilities | 37,405 | 34,624 | 38,891 |
| | 116,819 | 123,342 | 110,914 |
| Total equity and liabilities | 276,383 | 288,531 | 268,761 |
| Assets pledged as collateral | 5,901 | 6,049 | 5,681 |
| Contingent liabilities | 1,527 | 1,640 | 1,638 |

Consolidated statement of cash flows

| SEK million | Q4 | | Jan-Dec | |
|--|---------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating activities | | | | |
| Net income (loss) | 4,484 | -6,497 | 1,840 | -6,276 |
| Adjustments to reconcile net income to cash | | | | |
| Taxes | 949 | 3,590 | 1,652 | -1,897 |
| Earnings/dividends in JV and associated companies | 33 | -36 | 406 | -23 |
| Depreciation, amortization and impairment losses | 2,290 | 2,469 | 9,089 | 8,318 |
| Other | 197 | 376 | 1,079 | 1,432 |
| Net income reconciled to cash | 7,953 | -98 | 14,066 | 1,554 |
| Changes in operating net assets | | | | |
| Inventories | 5,200 | 1,689 | 261 | -4,807 |
| Customer finance, current and non-current | -66 | -863 | -858 | 1,085 |
| Trade receivables and contract assets | -3,216 | -7,521 | 10,995 | -2,047 |
| Trade payables | 688 | 829 | -372 | 2,436 |
| Provisions and post-employment benefits | -10,509 | 7,330 | -3,729 | 6,696 |
| Contract liabilities | -4,413 | -1,112 | -1,579 | -808 |
| Other operating assets and liabilities, net | 4,859 | 4,033 | -1,911 | 5,233 |
| | -7,457 | 4,385 | 2,807 | 7,788 |
| Cash flow from operating activities | 496 | 4,287 | 16,873 | 9,342 |
| Investing activities | | | | |
| Investments in property, plant and equipment | -1,475 | -1,080 | -5,118 | -3,975 |
| Sales of property, plant and equipment | 206 | 57 | 744 | 334 |
| Acquisitions/divestments of subsidiaries and other operations, net | -1,341 | 20 | -1,505 | -1,285 |
| Product development | -329 | -195 | -1,545 | -925 |
| Other investing activities | -74 | -96 | -331 | -523 |
| Interest-bearing securities | -1,759 | -910 | 4,214 | 2,242 |
| Cash flow from investing activities | -4,772 | -2,204 | -3,541 | -4,132 |
| Cash flow before financing activities | -4,276 | 2,083 | 13,332 | 5,210 |
| Financing activities | | | | |
| Dividends paid | -15 | -134 | -4,450 | -3,425 |
| Lease liabilities | -711 | - | -2,990 | - |
| Other financing activities | 834 | -429 | 540 | -652 |
| Cash flow from financing activities | 108 | -563 | -6,900 | -4,077 |
| Effect of exchange rate changes on cash | -1,936 | 811 | 258 | 1,372 |
| Net change in cash and cash equivalents | -6,104 | 2,331 | 6,690 | 2,505 |
| Cash and cash equivalents, beginning of period | 51,183 | 36,058 | 38,389 | 35,884 |
| Cash and cash equivalents, end of period | 45,079 | 38,389 | 45,079 | 38,389 |

Consolidated statement of changes in equity

| SEK million | Jan-Dec | |
|--|---------------|---------------|
| | 2019 | 2018 |
| Opening balance ¹⁾ | 87,770 | 97,571 |
| Adjustment due to new accounting standards ²⁾ | -249 | -983 |
| Adjusted opening balance | 87,521 | 96,588 |
| Total comprehensive income (loss) | -1,750 | -6,176 |
| Sale/repurchase of own shares | 197 | 107 |
| Stock issue, net | - | - |
| Long-term variable compensation plans | 377 | 677 |
| Dividends paid | -4,450 | -3,425 |
| Transactions with non-controlling interests | -17 | -1 |
| Closing balance | 81,878 | 87,770 |

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

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

Consolidated income statement – isolated quarters

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net sales | 66,373 | 57,127 | 54,810 | 48,906 | 63,809 | 53,810 | 49,808 | 43,411 |
| Cost of sales | -41,939 | -35,587 | -34,739 | -30,127 | -47,430 | -34,180 | -32,475 | -28,553 |
| Gross income | 24,434 | 21,540 | 20,071 | 18,779 | 16,379 | 19,630 | 17,333 | 14,858 |
| Gross margin (%) | 36.8% | 37.7% | 36.6% | 38.4% | 25.7% | 36.5% | 34.8% | 34.2% |
| Research and development expenses | -10,633 | -9,497 | -9,518 | -9,167 | -10,665 | -9,388 | -9,783 | -9,073 |
| Selling and administrative expenses | -8,222 | -4,920 | -6,964 | -6,031 | -7,685 | -6,625 | -7,053 | -6,156 |
| Impairment losses on trade receivables | -173 | 200 | 151 | 559 | 386 | -409 | -369 | -28 |
| Operating expenses | -19,028 | -14,217 | -16,331 | -14,639 | -17,964 | -16,422 | -17,205 | -15,257 |
| Other operating income and expenses ¹⁾ | 756 | -11,305 | 66 | 773 | -294 | 31 | 11 | 84 |
| Shares in earnings of JV and associated companies | -37 | -214 | -67 | -17 | 27 | 2 | 26 | 3 |
| Operating income (loss) | 6,125 | -4,196 | 3,739 | 4,896 | -1,852 | 3,241 | 165 | -312 |
| Financial income and expenses, net | -71 | -685 | -441 | -605 | -715 | -639 | -810 | -541 |
| Income after financial items | 6,054 | -4,881 | 3,298 | 4,291 | -2,567 | 2,602 | -645 | -853 |
| Taxes | -1,570 | -2,013 | -1,451 | -1,888 | -3,930 | 146 | -1,157 | 128 |
| Net income (loss) | 4,484 | -6,894 | 1,847 | 2,403 | -6,497 | 2,748 | -1,802 | -725 |
| Net income (loss) attributable to: | | | | | | | | |
| Stockholders of the Parent Company | 4,430 | -6,229 | 1,705 | 2,317 | -6,553 | 2,745 | -1,885 | -837 |
| Non-controlling interests | 54 | -665 | 142 | 86 | 56 | 3 | 83 | 112 |
| Other information | | | | | | | | |
| Average number of shares, basic (million) | 3,313 | 3,308 | 3,304 | 3,300 | 3,296 | 3,293 | 3,290 | 3,286 |
| Earnings (loss) per share, basic (SEK) ²⁾ | 1.34 | -1.89 | 0.52 | 0.70 | -1.99 | 0.84 | -0.58 | -0.25 |
| Earnings (loss) per share, diluted (SEK) ³⁾ | 1.33 | -1.89 | 0.51 | 0.70 | -1.99 | 0.83 | -0.58 | -0.25 |

¹⁾ Includes cost provisions related to the resolution of the SEC and DOJ investigations of SEK -11.5 b. in Q3 2019 and a partial release of the same provision of SEK 0.7 b. in Q4 2019.

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

³⁾ Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

Consolidated statement of cash flows – isolated quarters

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Operating activities | | | | | | | | |
| Net income (loss) | 4,484 | -6,894 | 1,847 | 2,403 | -6,497 | 2,748 | -1,802 | -725 |
| Adjustments to reconcile net income to cash | | | | | | | | |
| Taxes | 949 | -411 | 310 | 804 | 3,590 | -2,101 | -1,071 | -2,315 |
| Earnings/dividends in JV and associated companies | 33 | 278 | 71 | 24 | -36 | 28 | -19 | 4 |
| Depreciation, amortization and impairment losses | 2,290 | 2,199 | 2,274 | 2,326 | 2,469 | 1,893 | 2,065 | 1,891 |
| Other | 197 | 508 | 450 | -76 | 376 | 348 | 568 | 140 |
| Net income reconciled to cash | 7,953 | -4,320 | 4,952 | 5,481 | -98 | 2,916 | -259 | -1,005 |
| Changes in operating net assets | | | | | | | | |
| Inventories | 5,200 | 1,077 | -3,065 | -2,951 | 1,689 | -1,773 | -1,910 | -2,813 |
| Customer finance, current and non-current | -66 | -265 | 384 | -911 | -863 | 1,001 | 547 | 400 |
| Trade receivables and contract assets | -3,216 | 6,528 | 3,338 | 4,345 | -7,521 | -3,503 | 1,661 | 7,316 |
| Trade payables | 688 | -2,913 | 1,833 | 20 | 829 | 953 | 1,252 | -598 |
| Provisions and post-employment benefits | -10,509 | 10,719 | -480 | -3,459 | 7,330 | -265 | 478 | -847 |
| Contract liabilities | -4,413 | -3,988 | -1,641 | 8,463 | -1,112 | -220 | -233 | 757 |
| Other operating assets and liabilities, net | 4,859 | 151 | -1,698 | -5,223 | 4,033 | 2,931 | -94 | -1,637 |
| | -7,457 | 11,309 | -1,329 | 284 | 4,385 | -876 | 1,701 | 2,578 |
| Cash flow from operating activities | 496 | 6,989 | 3,623 | 5,765 | 4,287 | 2,040 | 1,442 | 1,573 |
| Investing activities | | | | | | | | |
| Investments in property, plant and equipment | -1,475 | -1,231 | -1,098 | -1,314 | -1,080 | -1,088 | -951 | -856 |
| Sales of property, plant and equipment | 206 | 122 | 184 | 232 | 57 | 102 | 52 | 123 |
| Acquisitions/divestments of subsidiaries and other operations, net | -1,341 | -466 | 3 | 299 | 20 | -425 | -431 | -449 |
| Product development | -329 | -313 | -446 | -457 | -195 | -151 | -325 | -254 |
| Other investing activities | -74 | -56 | -36 | -165 | -96 | -190 | -398 | 161 |
| Interest-bearing securities | -1,759 | -1,114 | 2,414 | 4,673 | -910 | 30 | 3,656 | -534 |
| Cash flow from investing activities | -4,772 | -3,058 | 1,021 | 3,268 | -2,204 | -1,722 | 1,603 | -1,809 |
| Cash flow before financing activities | -4,276 | 3,931 | 4,644 | 9,033 | 2,083 | 318 | 3,045 | -236 |
| Financing activities | | | | | | | | |
| Dividends paid | -15 | -141 | -3,308 | -986 | -134 | -2 | -3,289 | - |
| Lease liabilities | -711 | -1,052 | -623 | -604 | - | - | - | - |
| Other financing activities | 834 | 1,396 | -680 | -1,010 | -429 | 254 | -383 | -94 |
| Cash flow from financing activities | 108 | 203 | -4,611 | -2,600 | -563 | 252 | -3,672 | -94 |
| Effect of exchange rate changes on cash | -1,936 | 1,550 | 13 | 631 | 811 | -1,562 | 980 | 1,143 |
| Net change in cash and cash equivalents | -6,104 | 5,684 | 46 | 7,064 | 2,331 | -992 | 353 | 813 |
| Cash and cash equivalents, beginning of period | 51,183 | 45,499 | 45,453 | 38,389 | 36,058 | 37,050 | 36,697 | 35,884 |
| Cash and cash equivalents, end of period | 45,079 | 51,183 | 45,499 | 45,453 | 38,389 | 36,058 | 37,050 | 36,697 |

Parent Company income statement

| SEK million | Q4 | | Jan-Dec | |
|---|--------------|--------------|---------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net sales | - | - | - | - |
| Cost of sales | - | - | - | - |
| Gross income | - | - | - | - |
| Operating expenses | -499 | -301 | -1,531 | -1,686 |
| Other operating income and expenses ¹⁾ | 1,808 | 958 | -8,148 | 2,111 |
| Operating income | 1,309 | 657 | -9,679 | 425 |
| Financial net | 4,984 | 1,853 | 6,610 | 5,340 |
| Income after financial items | 6,293 | 2,510 | -3,069 | 5,765 |
| Transfers to (-) / from untaxed reserves | -1,961 | -1,535 | -1,961 | -1,535 |
| Taxes | 352 | 220 | 87 | -36 |
| Net income (loss) | 4,684 | 1,195 | -4,943 | 4,194 |

¹⁾ Includes a provision of SEK -11.5 billion in Q3 2019 related to the investigation by the SEC and the DOJ.

Parent Company statement of comprehensive income (loss)

| SEK million | Q4 | | Jan-Dec | |
|---|--------------|--------------|---------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income (loss) | 4,684 | 1,195 | -4,943 | 4,194 |
| Revaluation of borrowings due to change in credit risk | -197 | -251 | -651 | 91 |
| Tax on items that will not be reclassified to profit or loss | 41 | 56 | 134 | -19 |
| Available-for-sale financial assets | | | | |
| Gains/losses arising during the period | - | - | - | - |
| Reclassification adjustments on gains/losses included in profit or loss | - | - | - | - |
| Revaluation of other investments in shares and participations | | | | |
| Fair value remeasurement | - | - | - | - |
| Tax on items that may be reclassified to profit or loss | - | - | - | - |
| Total other comprehensive income, net of tax | -156 | -195 | -517 | 72 |
| Total comprehensive income (loss) | 4,528 | 1,000 | -5,460 | 4,266 |

Parent Company balance sheet

| SEK million | Dec 31 2019 | Dec 31 2018 |
|---|----------------|----------------|
| Assets | | |
| Fixed assets | | |
| Intangible assets | 58 | 139 |
| Tangible assets | 303 | 259 |
| Financial assets ^{1) 2)} | 106,156 | 109,177 |
| | 106,517 | 109,575 |
| Current assets | | |
| Inventories | - | - |
| Receivables ²⁾ | 23,166 | 38,760 |
| Short-term investments | 6,328 | 6,268 |
| Cash and cash equivalents | 29,800 | 27,850 |
| | 59,294 | 72,878 |
| Total assets | 165,811 | 182,453 |
| Stockholders' equity, provisions and liabilities | | |
| Equity | | |
| Restricted equity | 48,164 | 48,164 |
| Non-restricted equity ²⁾ | 32,222 | 40,752 |
| | 80,386 | 88,916 |
| Provisions | 668 | 86 |
| Non-current liabilities ²⁾ | 28,341 | 62,581 |
| Current liabilities | 56,416 | 30,870 |
| Total stockholders' equity, provisions and liabilities | 165,811 | 182,453 |
| ¹⁾ Of which interest-bearing securities, non-current | 20,560 | 23,982 |

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

Additional information

Accounting policies

The group

This interim report is prepared in accordance with IAS 34. The term "IFRS" used in this document refers to the application of IAS and IFRS as well as interpretations of these standards as issued by IASB's Standards Interpretation Committee (SIC) and IFRS Interpretations Committee (IFRIC). The accounting policies adopted are consistent with those of the annual report for the year ended December 31, 2018 and should be read in conjunction with that annual report, with exception for the accounting policies described below.

New standards as from January 1, 2019

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

IFRS 16 – Leases

Presentation in the financial statements

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

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

Transition

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

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

The Company has implemented the standard using the cumulative catch-up method, with the cumulative effect being adjusted to the opening retained earnings balance in equity at transition date. No restated information has been presented for previous years.

The Company has, as a lessee, recognized lease liabilities for leases previously classified as operating leases. The weighted average incremental borrowing rate applied to lease liabilities recognized in the balance sheet at the transition date was 5.4%. Right-of-use

assets have for most contracts been recognized based on the amount equal to the related lease liability. For some larger real estate contracts right-of-use assets have been recognized as if IFRS 16 had been applied since the commencement date, however, using the incremental borrowing rate as per the effective date. The asset value for these contracts is SEK 249 million lower than the related liabilities. This difference causes the reduction of equity as per transition date.

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

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

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

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

Accounting policy – IFRS 16 Leases

Leasing when the Company is the lessee

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

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

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

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

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

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

Leasing when the Company is the lessor

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

APM impact in 2019

Lease interest expense is reported under finance costs according to IFRS 16, which is different from prior to 2019, when it was embedded in the lease expense for operating leases, either as costs of sales or operating expenses. This has had a positive impact on the APM operating margin of approximately 0.2 percentage points year-to-date, because lease interest expense is no longer a part of this measurement. The EBITA year-to-date has increased with SEK 551 million for the same reason.

The amortization of lease liabilities is reported as financing cash flows under IFRS 16 and not as operating cash flows as prior to 2019. The impact of this reclassification year-to-date in 2019 is SEK 2,989 million. The APMs free cash flow and free cash flow excluding M&A have been adjusted to include lease amortization. This change in definition makes free cash flow in 2019 comparable to prior years when amortization was reported as operating cash flows. The APM Cash conversion has not been adjusted and has been positively impacted. The timing of the cash flows is not impacted.

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

Changes applied in Q1 2019

Cash flow hedge accounting

The company has identified certain customer contracts where a fluctuation in the USD/SEK foreign exchange rate would significantly impact net sales and operating income recorded from the contracts. These contracts are multi-year contracts denominated in USD with highly probable payments at fixed points in time.

From Q1 2019, the Company has entered into FX forward contracts that match the terms of the foreign exchange exposure as closely as possible and designated these as hedging instruments.

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

Market area reporting

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

Changes applied in Q2 2019

Changes to the presentation of financial income and expenses

Due to the significant variations in SEK rates in recent months, the Company has considered the change in reporting of foreign exchange effect to reflect how foreign exchange transaction risk is managed on a net basis in the Company. Previously foreign exchange effects were reported within both Financial income and Financial expenses depending on whether they related to assets or liabilities. In the Annual Report the foreign exchange effect will be presented as a net amount, reported separately from other financial income and expenses items.

In line with this change the Company also elected to present all Financial income and expenses, including the foreign exchange effect, on the Income Statement as a single line item 'Financial income and expenses, net'. Previously, Financial income and Financial expenses were presented as separate line items on the Income Statement. The Income Statement for Q2 2019 and all comparative periods have been restated to reflect the new presentation of 'Financial income and expenses, net'.

Changes applied in Q4 2019

Changes to the definition free cash flow and free cash flow excluding M&A

In order to more accurately represent the cash flows generated by the company that can be used to expand the business, pay dividends and reduce debt, the definitions of free cash flow and free cash flow excluding M&A have been adjusted to include amortization of lease liabilities. Prior to 2019, these payments were included in operating cash flows. However, with the adoption of IFRS 16, amortization of lease liabilities is reported as financial cash flows. During the first three quarters of 2019, free cash flow and free cash flow excluding M&A were reported without adjusting the definition, which resulted in a positive impact to the measurement. These three quarters have now been restated, resulting in all periods being comparable with one another in this report.

Net sales by segment by quarter

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 44,448 | 39,261 | 37,819 | 33,481 | 41,641 | 35,934 | 32,393 | 28,602 |
| Of which Products | 31,159 | 27,500 | 26,698 | 23,765 | 29,803 | 25,336 | 22,319 | 19,473 |
| Of which Services | 13,289 | 11,761 | 11,121 | 9,716 | 11,838 | 10,598 | 10,074 | 9,129 |
| Digital Services | 13,168 | 9,881 | 8,991 | 7,817 | 13,007 | 8,987 | 8,833 | 7,262 |
| Of which Products | 7,338 | 5,594 | 4,611 | 3,937 | 7,462 | 4,582 | 4,467 | 3,947 |
| Of which Services | 5,830 | 4,287 | 4,380 | 3,880 | 5,545 | 4,405 | 4,366 | 3,315 |
| Managed Services | 7,027 | 6,359 | 6,323 | 5,856 | 6,881 | 6,465 | 6,528 | 5,896 |
| Emerging Business and Other | 1,730 | 1,626 | 1,677 | 1,752 | 2,280 | 2,424 | 2,054 | 1,651 |
| Total | 66,373 | 57,127 | 54,810 | 48,906 | 63,809 | 53,810 | 49,808 | 43,411 |

| Sequential change, percent | 2019 | | | | 2018 | | | |
|-----------------------------|------------|-----------|------------|-------------|------------|-----------|------------|-------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 13% | 4% | 13% | -20% | 16% | 11% | 13% | -23% |
| Of which Products | 13% | 3% | 12% | -20% | 18% | 14% | 15% | -23% |
| Of which Services | 13% | 6% | 14% | -18% | 12% | 5% | 10% | -22% |
| Digital Services | 33% | 10% | 15% | -40% | 45% | 2% | 22% | -39% |
| Of which Products | 31% | 21% | 17% | -47% | 63% | 3% | 13% | -39% |
| Of which Services | 36% | -2% | 13% | -30% | 26% | 1% | 32% | -38% |
| Managed Services | 11% | 1% | 8% | -15% | 6% | -1% | 11% | -15% |
| Emerging Business and Other | 6% | -3% | -4% | -23% | -6% | 18% | 24% | -21% |
| Total | 16% | 4% | 12% | -23% | 19% | 8% | 15% | -25% |

| Year over year change, percent | 2019 | | | | 2018 | | | |
|--------------------------------|-----------|-----------|------------|------------|------------|-----------|------------|------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 7% | 9% | 17% | 17% | 12% | 13% | 2% | -10% |
| Of which Products | 5% | 9% | 20% | 22% | 17% | 17% | 5% | -11% |
| Of which Services | 12% | 11% | 10% | 6% | 1% | 5% | -3% | -7% |
| Digital Services | 1% | 10% | 2% | 8% | 10% | 1% | -11% | -10% |
| Of which Products | -2% | 22% | 3% | 0% | 16% | -6% | -17% | -9% |
| Of which Services | 5% | -3% | 0% | 17% | 3% | 8% | -4% | -12% |
| Managed Services | 2% | -2% | -3% | -1% | 0% | -2% | -2% | -6% |
| Emerging Business and Other | -24% | -33% | -18% | 6% | 9% | 22% | 2% | -7% |
| Total | 4% | 6% | 10% | 13% | 10% | 9% | -1% | -9% |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|-----------------------------|----------------|----------------|----------------|---------------|----------------|----------------|---------------|---------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 155,009 | 110,561 | 71,300 | 33,481 | 138,570 | 96,929 | 60,995 | 28,602 |
| Of which Products | 109,122 | 77,963 | 50,463 | 23,765 | 96,931 | 67,128 | 41,792 | 19,473 |
| Of which Services | 45,887 | 32,598 | 20,837 | 9,716 | 41,639 | 29,801 | 19,203 | 9,129 |
| Digital Services | 39,857 | 26,689 | 16,808 | 7,817 | 38,089 | 25,082 | 16,095 | 7,262 |
| Of which Products | 21,480 | 14,142 | 8,548 | 3,937 | 20,458 | 12,996 | 8,414 | 3,947 |
| Of which Services | 18,377 | 12,547 | 8,260 | 3,880 | 17,631 | 12,086 | 7,681 | 3,315 |
| Managed Services | 25,565 | 18,538 | 12,179 | 5,856 | 25,770 | 18,889 | 12,424 | 5,896 |
| Emerging Business and Other | 6,785 | 5,055 | 3,429 | 1,752 | 8,409 | 6,129 | 3,705 | 1,651 |
| Total | 227,216 | 160,843 | 103,716 | 48,906 | 210,838 | 147,029 | 93,219 | 43,411 |

| Year over year change, percent | 2019 | | | | 2018 | | | |
|--------------------------------|-----------|-----------|------------|------------|-----------|-----------|------------|------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 12% | 14% | 17% | 17% | 5% | 2% | -4% | -10% |
| Of which Products | 13% | 16% | 21% | 22% | 7% | 3% | -3% | -11% |
| Of which Services | 10% | 9% | 9% | 6% | -1% | -2% | -5% | -7% |
| Digital Services | 5% | 6% | 4% | 8% | -2% | -7% | -11% | -10% |
| Of which Products | 5% | 9% | 2% | 0% | -3% | -11% | -13% | -9% |
| Of which Services | 4% | 4% | 8% | 17% | -1% | -2% | -8% | -12% |
| Managed Services | -1% | -2% | -2% | -1% | -3% | -3% | -4% | -6% |
| Emerging Business and Other | -19% | -18% | -7% | 6% | 7% | 6% | -2% | -7% |
| Total | 8% | 9% | 11% | 13% | 3% | 0% | -5% | -9% |

Sales growth adjusted for comparable units and currency

| Isolated quarter, year over year change, percent | 2019 | | | | 2018 | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 2% | 4% | 11% | 10% | 6% | 5% | 2% | -2% |
| Digital Services | -3% | 5% | -3% | 0% | 5% | -6% | -12% | -3% |
| Managed Services | -1% | -5% | -6% | -5% | -5% | -8% | -3% | -4% |
| Emerging Business and Other ¹⁾ | 9% | -7% | 24% | 38% | 1% | 11% | 1% | -2% |
| Total ¹⁾ | 1% | 3% | 7% | 7% | 4% | 1% | -1% | -2% |

| Year to date, year over year change, percent | 2019 | | | | 2018 | | | |
|--|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 6% | 8% | 11% | 10% | 3% | 2% | 0% | -2% |
| Digital Services | -1% | 1% | -2% | 0% | -4% | -7% | -8% | -3% |
| Managed Services | -4% | -5% | -6% | -5% | -5% | -5% | -3% | -4% |
| Emerging Business and Other ¹⁾ | 14% | 15% | 30% | 38% | 3% | 3% | -1% | -2% |
| Total ¹⁾ | 4% | 5% | 7% | 7% | 1% | -1% | -2% | -2% |

¹⁾ Adjusted for MediaKind divestment.

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

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 18,265 | 16,327 | 15,670 | 14,455 | 16,626 | 14,835 | 12,565 | 11,127 |
| Digital Services | 4,898 | 3,749 | 3,311 | 2,878 | -1,240 | 3,208 | 3,458 | 2,892 |
| Managed Services | 1,039 | 1,136 | 779 | 1,036 | 781 | 805 | 809 | 491 |
| Emerging Business and Other | 232 | 328 | 311 | 410 | 212 | 782 | 501 | 348 |
| Total | 24,434 | 21,540 | 20,071 | 18,779 | 16,379 | 19,630 | 17,333 | 14,858 |

| Isolated quarters, as percentage of net sales | 2019 | | | | 2018 | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 41.1% | 41.6% | 41.4% | 43.2% | 39.9% | 41.3% | 38.8% | 38.9% |
| Digital Services | 37.2% | 37.9% | 36.8% | 36.8% | -9.5% | 35.7% | 39.1% | 39.8% |
| Managed Services | 14.8% | 17.9% | 12.3% | 17.7% | 11.4% | 12.5% | 12.4% | 8.3% |
| Emerging Business and Other | 13.4% | 20.2% | 18.5% | 23.4% | 9.3% | 32.3% | 24.4% | 21.1% |
| Total | 36.8% | 37.7% | 36.6% | 38.4% | 25.7% | 36.5% | 34.8% | 34.2% |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 64,717 | 46,452 | 30,125 | 14,455 | 55,153 | 38,527 | 23,692 | 11,127 |
| Digital Services | 14,836 | 9,938 | 6,189 | 2,878 | 8,318 | 9,558 | 6,350 | 2,892 |
| Managed Services | 3,990 | 2,951 | 1,815 | 1,036 | 2,886 | 2,105 | 1,300 | 491 |
| Emerging Business and Other | 1,281 | 1,049 | 721 | 410 | 1,843 | 1,631 | 849 | 348 |
| Total | 84,824 | 60,390 | 38,850 | 18,779 | 68,200 | 51,821 | 32,191 | 14,858 |

| Year to date, as percentage of net sales | 2019 | | | | 2018 | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 41.8% | 42.0% | 42.3% | 43.2% | 39.8% | 39.7% | 38.8% | 38.9% |
| Digital Services | 37.2% | 37.2% | 36.8% | 36.8% | 21.8% | 38.1% | 39.5% | 39.8% |
| Managed Services | 15.6% | 15.9% | 14.9% | 17.7% | 11.2% | 11.1% | 10.5% | 8.3% |
| Emerging Business and Other | 18.9% | 20.8% | 21.0% | 23.4% | 21.9% | 26.6% | 22.9% | 21.1% |
| Total | 37.3% | 37.5% | 37.5% | 38.4% | 32.3% | 35.2% | 34.5% | 34.2% |

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

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--------------------------------|--------------|---------------|--------------|--------------|---------------|--------------|------------|-------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 6,399 | 7,216 | 5,680 | 5,472 | 6,850 | 5,656 | 3,544 | 3,371 |
| Digital Services | -164 | -660 | -1,405 | -1,798 | -7,087 | -1,784 | -2,374 | -2,607 |
| Managed Services | 292 | 562 | 203 | 1,252 | 285 | 409 | 299 | 100 |
| Emerging Business and Other | -402 | -11,314 | -739 | -30 | -1,900 | -1,040 | -1,304 | -1,176 |
| Total | 6,125 | -4,196 | 3,739 | 4,896 | -1,852 | 3,241 | 165 | -312 |

| Isolated quarters, as percentage of net sales | 2019 | | | | 2018 | | | |
|---|-------------|--------------|-------------|--------------|--------------|-------------|-------------|--------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 14.4% | 18.4% | 15.0% | 16.3% | 16.5% | 15.7% | 10.9% | 11.8% |
| Digital Services | -1.2% | -6.7% | -15.6% | -23.0% | -54.5% | -19.9% | -26.9% | -35.9% |
| Managed Services | 4.2% | 8.8% | 3.2% | 21.4% | 4.1% | 6.3% | 4.6% | 1.7% |
| Emerging Business and Other | -23.2% | -695.8% | -44.1% | -1.7% | -83.3% | -42.9% | -63.5% | -71.2% |
| Total | 9.2% | -7.3% | 6.8% | 10.0% | -2.9% | 6.0% | 0.3% | -0.7% |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|-----------------------------|---------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 24,767 | 18,368 | 11,152 | 5,472 | 19,421 | 12,571 | 6,915 | 3,371 |
| Digital Services | -4,027 | -3,863 | -3,203 | -1,798 | -13,852 | -6,765 | -4,981 | -2,607 |
| Managed Services | 2,309 | 2,017 | 1,455 | 1,252 | 1,093 | 808 | 399 | 100 |
| Emerging Business and Other | -12,485 | -12,083 | -769 | -30 | -5,420 | -3,520 | -2,480 | -1,176 |
| Total | 10,564 | 4,439 | 8,635 | 4,896 | 1,242 | 3,094 | -147 | -312 |

| Year to date, as percentage of net sales | 2019 | | | | 2018 | | | |
|--|-------------|-------------|-------------|--------------|-------------|-------------|--------------|--------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 16.0% | 16.6% | 15.6% | 16.3% | 14.0% | 13.0% | 11.3% | 11.8% |
| Digital Services | -10.1% | -14.5% | -19.1% | -23.0% | -36.4% | -27.0% | -30.9% | -35.9% |
| Managed Services | 9.0% | 10.9% | 11.9% | 21.4% | 4.2% | 4.3% | 3.2% | 1.7% |
| Emerging Business and Other | -184.0% | -239.0% | -22.4% | -1.7% | -64.5% | -57.4% | -66.9% | -71.2% |
| Total | 4.6% | 2.8% | 8.3% | 10.0% | 0.6% | 2.1% | -0.2% | -0.7% |

EBITA and EBITA margin by segment by quarter

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--------------------------------|--------------|---------------|--------------|--------------|---------------|--------------|------------|-----------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 6,447 | 7,253 | 5,716 | 5,552 | 6,916 | 5,722 | 3,618 | 3,461 |
| Digital Services | -23 | -521 | -1,268 | -1,638 | -6,911 | -1,608 | -2,204 | -2,443 |
| Managed Services | 293 | 563 | 205 | 1,253 | 288 | 411 | 303 | 105 |
| Emerging Business and Other | -323 | -11,262 | -688 | 43 | -1,524 | -940 | -1,202 | -1,088 |
| Total | 6,394 | -3,967 | 3,965 | 5,210 | -1,231 | 3,585 | 515 | 35 |

| Isolated quarters, as percentage of net sales | 2019 | | | | 2018 | | | |
|---|-------------|--------------|-------------|--------------|--------------|-------------|-------------|-------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 14.5% | 18.5% | 15.1% | 16.6% | 16.6% | 15.9% | 11.2% | 12.1% |
| Digital Services | -0.2% | -5.3% | -14.1% | -21.0% | -53.1% | -17.9% | -25.0% | -33.6% |
| Managed Services | 4.2% | 8.9% | 3.2% | 21.4% | 4.2% | 6.4% | 4.6% | 1.8% |
| Emerging Business and Other | -18.7% | -692.6% | -41.0% | 2.5% | -66.8% | -38.8% | -58.5% | -65.9% |
| Total | 9.6% | -6.9% | 7.2% | 10.7% | -1.9% | 6.7% | 1.0% | 0.1% |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|-----------------------------|---------------|--------------|--------------|--------------|--------------|--------------|------------|-----------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 24,968 | 18,521 | 11,268 | 5,552 | 19,717 | 12,801 | 7,079 | 3,461 |
| Digital Services | -3,450 | -3,427 | -2,906 | -1,638 | -13,166 | -6,255 | -4,647 | -2,443 |
| Managed Services | 2,314 | 2,021 | 1,458 | 1,253 | 1,107 | 819 | 408 | 105 |
| Emerging Business and Other | -12,230 | -11,907 | -645 | 43 | -4,754 | -3,230 | -2,290 | -1,088 |
| Total | 11,602 | 5,208 | 9,175 | 5,210 | 2,904 | 4,135 | 550 | 35 |

| Year to date, as percentage of net sales | 2019 | | | | 2018 | | | |
|--|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 16.1% | 16.8% | 15.8% | 16.6% | 14.2% | 13.2% | 11.6% | 12.1% |
| Digital Services | -8.7% | -12.8% | -17.3% | -21.0% | -34.6% | -24.9% | -28.9% | -33.6% |
| Managed Services | 9.1% | 10.9% | 12.0% | 21.4% | 4.3% | 4.3% | 3.3% | 1.8% |
| Emerging Business and Other | -180.3% | -235.5% | -18.8% | 2.5% | -56.5% | -52.7% | -61.8% | -65.9% |
| Total | 5.1% | 3.2% | 8.8% | 10.7% | 1.4% | 2.8% | 0.6% | 0.1% |

Net sales by market area by quarter

| Isolated quarters, SEK million | 2019 | | | | 2018 ³⁾ | | | |
|---|---------------|---------------|---------------|---------------|--------------------|---------------|---------------|---------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| South East Asia, Oceania and India | 9,231 | 7,432 | 6,965 | 6,148 | 8,244 | 7,985 | 6,981 | 6,379 |
| North East Asia | 9,704 | 6,356 | 6,516 | 3,824 | 8,387 | 5,773 | 4,764 | 3,385 |
| North America | 17,368 | 18,985 | 17,699 | 16,171 | 17,999 | 14,933 | 14,337 | 11,317 |
| Europe and Latin America ^{1) 2)} | 17,489 | 14,308 | 14,085 | 13,124 | 17,909 | 14,697 | 13,999 | 12,958 |
| Middle East and Africa | 8,426 | 6,046 | 5,641 | 5,412 | 6,828 | 5,841 | 5,801 | 5,868 |
| Other ^{1) 2)} | 4,155 | 4,000 | 3,904 | 4,227 | 4,442 | 4,581 | 3,926 | 3,504 |
| Total | 66,373 | 57,127 | 54,810 | 48,906 | 63,809 | 53,810 | 49,808 | 43,411 |
| ¹⁾ Of which in Sweden | 235 | 13 | 149 | 192 | 375 | 429 | 596 | 915 |
| ²⁾ Of which in EU | 10,572 | 8,815 | 8,385 | 7,957 | 10,319 | 8,481 | 8,619 | 8,522 |

| Sequential change, percent | 2019 | | | | 2018 ³⁾ | | | |
|---|------------|-----------|------------|-------------|--------------------|-----------|------------|-------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| South East Asia, Oceania and India | 24% | 7% | 13% | -25% | 3% | 14% | 9% | -19% |
| North East Asia | 53% | -2% | 70% | -54% | 45% | 21% | 41% | -48% |
| North America | -9% | 7% | 9% | -10% | 21% | 4% | 27% | -23% |
| Europe and Latin America ^{1) 2)} | 22% | 2% | 7% | -27% | 22% | 5% | 8% | -22% |
| Middle East and Africa | 39% | 7% | 4% | -21% | 17% | 1% | -1% | -25% |
| Other ^{1) 2)} | 4% | 2% | -8% | -5% | -3% | 17% | 12% | -20% |
| Total | 16% | 4% | 12% | -23% | 19% | 8% | 15% | -25% |
| ¹⁾ Of which in Sweden | 1708% | -91% | -22% | -49% | -13% | -28% | -35% | 5% |
| ²⁾ Of which in EU | 20% | 5% | 5% | -23% | 22% | -2% | 1% | -21% |

| Year over year change, percent | 2019 | | | | 2018 ³⁾ | | | |
|---|-----------|-----------|------------|------------|--------------------|-----------|------------|------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| South East Asia, Oceania and India | 12% | -7% | 0% | -4% | 5% | 2% | -3% | -24% |
| North East Asia | 16% | 10% | 37% | 13% | 30% | 2% | -19% | -39% |
| North America | -4% | 27% | 23% | 43% | 23% | 21% | 11% | -6% |
| Europe and Latin America ^{1) 2)} | -2% | -3% | 1% | 1% | 7% | 11% | 1% | 8% |
| Middle East and Africa | 23% | 4% | -3% | -8% | -13% | -9% | -5% | 6% |
| Other ^{1) 2)} | -6% | -13% | -1% | 21% | 2% | 19% | -7% | -17% |
| Total | 4% | 6% | 10% | 13% | 10% | 9% | -1% | -9% |
| ¹⁾ Of which in Sweden | -37% | -97% | -75% | -79% | -57% | -35% | -24% | -10% |
| ²⁾ Of which in EU | 2% | 4% | -3% | -7% | -5% | -2% | -1% | 2% |

| Year to date, SEK million | 2019 | | | | 2018 ³⁾ | | | |
|---|----------------|----------------|----------------|---------------|--------------------|----------------|---------------|---------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| South East Asia, Oceania and India | 29,776 | 20,545 | 13,113 | 6,148 | 29,589 | 21,345 | 13,360 | 6,379 |
| North East Asia | 26,400 | 16,696 | 10,340 | 3,824 | 22,309 | 13,922 | 8,149 | 3,385 |
| North America | 70,223 | 52,855 | 33,870 | 16,171 | 58,586 | 40,587 | 25,654 | 11,317 |
| Europe and Latin America ^{1) 2)} | 59,006 | 41,517 | 27,209 | 13,124 | 59,563 | 41,654 | 26,957 | 12,958 |
| Middle East and Africa | 25,525 | 17,099 | 11,053 | 5,412 | 24,338 | 17,510 | 11,669 | 5,868 |
| Other ^{1) 2)} | 16,286 | 12,131 | 8,131 | 4,227 | 16,453 | 12,011 | 7,430 | 3,504 |
| Total | 227,216 | 160,843 | 103,716 | 48,906 | 210,838 | 147,029 | 93,219 | 43,411 |
| ¹⁾ Of which in Sweden | 589 | 354 | 341 | 192 | 2,315 | 1,940 | 1,511 | 915 |
| ²⁾ Of which in EU | 35,729 | 25,157 | 16,342 | 7,957 | 35,941 | 25,622 | 17,141 | 8,522 |

| Year to date, year over year change, percent | 2019 | | | | 2018 ³⁾ | | | |
|--|-----------|-----------|------------|------------|--------------------|-----------|------------|------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| South East Asia, Oceania and India | 1% | -4% | -2% | -4% | -6% | -9% | -15% | -24% |
| North East Asia | 18% | 20% | 27% | 13% | -5% | -19% | -29% | -39% |
| North America | 20% | 30% | 32% | 43% | 13% | 9% | 3% | -6% |
| Europe and Latin America ^{1) 2)} | -1% | 0% | 1% | 1% | 7% | 6% | 4% | 8% |
| Middle East and Africa | 5% | -2% | -5% | -8% | -6% | -3% | 0% | 6% |
| Other ^{1) 2)} | -1% | 1% | 9% | 21% | -1% | -2% | -12% | -17% |
| Total | 8% | 9% | 11% | 13% | 3% | 0% | -5% | -9% |
| ¹⁾ Of which in Sweden | -75% | -82% | -77% | -79% | -31% | -21% | -16% | -10% |
| ²⁾ Of which in EU | -1% | -2% | -5% | -7% | -1% | 0% | 1% | 2% |

³⁾ 2018 has been restated to reflect the move of Morocco from market area Europe and Latin America to Middle East and Africa. Please refer to "Changes applied in Q1 2019".

Top 5 countries in sales

| Country, percentage of net sales | Q4 | | Jan-Dec | |
|----------------------------------|------|------|---------|------|
| | 2019 | 2018 | 2019 | 2018 |
| United States | 27% | 30% | 32% | 29% |
| China | 8% | 9% | 7% | 7% |
| Japan | 6% | 4% | 4% | 3% |
| India | 3% | 3% | 4% | 4% |
| Australia | 4% | 3% | 3% | 4% |

Net sales by market area by segment

| SEK million | Q4 2019 | | | | | Jan-Dec 2019 | | | | |
|------------------------------------|---------------|------------------|------------------|-----------------------------|---------------|----------------|------------------|------------------|-----------------------------|----------------|
| | Networks | Digital Services | Managed Services | Emerging Business and Other | Total | Networks | Digital Services | Managed Services | Emerging Business and Other | Total |
| South East Asia, Oceania and India | 6,803 | 1,370 | 1,041 | 17 | 9,231 | 21,850 | 4,033 | 3,836 | 57 | 29,776 |
| North East Asia | 7,342 | 1,940 | 335 | 87 | 9,704 | 20,339 | 4,857 | 1,026 | 178 | 26,400 |
| North America | 13,218 | 2,946 | 1,188 | 16 | 17,368 | 55,808 | 9,646 | 4,673 | 96 | 70,223 |
| Europe and Latin America | 9,963 | 4,071 | 3,346 | 109 | 17,489 | 33,884 | 12,571 | 12,149 | 402 | 59,006 |
| Middle East and Africa | 4,898 | 2,398 | 1,117 | 13 | 8,426 | 14,604 | 7,015 | 3,881 | 25 | 25,525 |
| Other | 2,224 | 443 | 0 | 1,488 | 4,155 | 8,524 | 1,735 | 0 | 6,027 | 16,286 |
| Total | 44,448 | 13,168 | 7,027 | 1,730 | 66,373 | 155,009 | 39,857 | 25,565 | 6,785 | 227,216 |
| Share of Total | 67% | 20% | 10% | 3% | 100% | 68% | 18% | 11% | 3% | 100% |

| Sequential change, percent | Q4 2019 | | | | |
|------------------------------------|------------|------------------|------------------|-----------------------------|------------|
| | Networks | Digital Services | Managed Services | Emerging Business and Other | Total |
| South East Asia, Oceania and India | 23% | 48% | 7% | 31% | 24% |
| North East Asia | 52% | 50% | 51% | 314% | 53% |
| North America | -12% | 11% | -2% | -38% | -9% |
| Europe and Latin America | 21% | 37% | 11% | - | 22% |
| Middle East and Africa | 40% | 50% | 18% | 44% | 39% |
| Other | 5% | 2% | -100% | 3% | 4% |
| Total | 13% | 33% | 11% | 6% | 16% |

| Year over year change, percent | Q4 2019 | | | | | Jan-Dec 2019 | | | | |
|------------------------------------|-----------|------------------|------------------|-----------------------------|-----------|--------------|------------------|------------------|-----------------------------|-----------|
| | Networks | Digital Services | Managed Services | Emerging Business and Other | Total | Networks | Digital Services | Managed Services | Emerging Business and Other | Total |
| South East Asia, Oceania and India | 12% | 10% | 20% | -37% | 12% | 2% | -16% | 13% | 43% | 1% |
| North East Asia | 34% | -22% | -13% | 383% | 16% | 28% | 0% | -30% | 123% | 18% |
| North America | -5% | 6% | -3% | -33% | -4% | 20% | 15% | 27% | - | 20% |
| Europe and Latin America | -3% | -3% | 0% | 17% | -2% | 0% | 3% | -8% | 28% | -1% |
| Middle East and Africa | 26% | 26% | 6% | 333% | 23% | 6% | 9% | -4% | 67% | 5% |
| Other | 15% | 14% | - | -30% | -6% | 19% | 21% | - | -23% | -1% |
| Total | 7% | 1% | 2% | -24% | 4% | 12% | 5% | -1% | -19% | 8% |

IPR licensing revenues by segment by quarter

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 2,014 | 1,972 | 1,845 | 2,066 | 1,759 | 1,755 | 1,486 | 1,522 |
| Digital Services | 443 | 433 | 404 | 454 | 387 | 385 | 326 | 334 |
| Total | 2,457 | 2,405 | 2,249 | 2,520 | 2,146 | 2,140 | 1,812 | 1,856 |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 7,897 | 5,883 | 3,911 | 2,066 | 6,522 | 4,763 | 3,008 | 1,522 |
| Digital Services | 1,734 | 1,291 | 858 | 454 | 1,432 | 1,045 | 660 | 334 |
| Total | 9,631 | 7,174 | 4,769 | 2,520 | 7,954 | 5,808 | 3,668 | 1,856 |

Provisions

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Opening balance | 22,007 | 11,358 | 12,033 | 16,008 | 8,695 | 9,534 | 9,030 | 9,879 |
| Additions ¹⁾ | 2,438 | 12,774 | 1,423 | 1,401 | 8,930 | 1,491 | 1,974 | 1,315 |
| Utilization/Cash out ¹⁾ | -12,529 | -2,151 | -2,084 | -1,676 | -1,436 | -1,774 | -1,486 | -2,216 |
| <i>Of which restructuring</i> | -143 | -711 | -378 | -557 | -656 | -1,236 | -832 | -1,424 |
| Reversal of excess amounts | -842 | -128 | -88 | -125 | -290 | -127 | -191 | -117 |
| Reclassification, translation difference and other | -151 | 154 | 74 | -3,575 | 109 | -429 | 207 | 169 |
| Closing balance | 10,923 | 22,007 | 11,358 | 12,033 | 16,008 | 8,695 | 9,534 | 9,030 |
| <i>Of which restructuring</i> | 1,095 | 1,099 | 1,743 | 2,059 | 6,438 | 2,960 | 4,029 | 3,524 |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|--|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Opening balance | 16,008 | 16,008 | 16,008 | 16,008 | 9,879 | 9,879 | 9,879 | 9,879 |
| Additions | 7,172 | 15,598 | 2,824 | 1,401 | 13,710 | 4,780 | 3,289 | 1,315 |
| Utilization/Cash out | -7,576 | -5,911 | -3,760 | -1,676 | -6,912 | -5,476 | -3,702 | -2,216 |
| <i>Of which restructuring</i> | -1,789 | -1,646 | -935 | -557 | -4,148 | -3,492 | -2,256 | -1,424 |
| Reversal of excess amounts | -1,183 | -341 | -213 | -125 | -725 | -435 | -308 | -117 |
| Reclassification, translation difference and other | -3,498 | -3,347 | -3,501 | -3,575 | 56 | -53 | 376 | 169 |
| Closing balance | 10,923 | 22,007 | 11,358 | 12,033 | 16,008 | 8,695 | 9,534 | 9,030 |
| <i>Of which restructuring</i> | 1,095 | 1,099 | 1,743 | 2,059 | 6,438 | 2,960 | 4,029 | 3,524 |

¹⁾ Includes additions of cost provisions related to the resolution of the SEC and DOJ investigations of SEK -11.5 b. in Q3 2019. Includes payment of SEK 10.1 b. to SEC and DOJ in Q4 2019.

Information on investments

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

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Additions | | | | | | | | |
| Property, plant and equipment | 1,475 | 1,231 | 1,098 | 1,314 | 1,080 | 1,088 | 951 | 856 |
| Capitalized development expenses | 329 | 313 | 446 | 457 | 195 | 151 | 325 | 254 |
| IPR, brands and other intangible assets | 1 | 2 | - | 1 | 27 | - | 1 | - |
| Total | 1,805 | 1,546 | 1,544 | 1,772 | 1,302 | 1,239 | 1,277 | 1,110 |
| Depreciation, amortization and impairment losses | | | | | | | | |
| Property, plant and equipment | 1,100 | 1,048 | 919 | 880 | 965 | 870 | 1,080 | 928 |
| Capitalized development expenses | 256 | 330 | 449 | 520 | 884 | 678 | 635 | 616 |
| Goodwill, IPR, brands and other intangible assets | 269 | 229 | 226 | 314 | 620 | 345 | 350 | 347 |
| Total | 1,625 | 1,607 | 1,594 | 1,714 | 2,469 | 1,893 | 2,065 | 1,891 |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Additions | | | | | | | | |
| Property, plant and equipment | 5,118 | 3,643 | 2,412 | 1,314 | 3,975 | 2,895 | 1,807 | 856 |
| Capitalized development expenses | 1,545 | 1,216 | 903 | 457 | 925 | 730 | 579 | 254 |
| IPR, brands and other intangible assets | 4 | 3 | 1 | 1 | 28 | 1 | 1 | - |
| Total | 6,667 | 4,862 | 3,316 | 1,772 | 4,928 | 3,626 | 2,387 | 1,110 |
| Depreciation, amortization and impairment losses | | | | | | | | |
| Property, plant and equipment | 3,947 | 2,847 | 1,799 | 880 | 3,843 | 2,878 | 2,008 | 928 |
| Capitalized development expenses | 1,555 | 1,299 | 969 | 520 | 2,813 | 1,929 | 1,251 | 616 |
| Goodwill, IPR, brands and other intangible assets | 1,038 | 769 | 540 | 314 | 1,662 | 1,042 | 697 | 347 |
| Total | 6,540 | 4,915 | 3,308 | 1,714 | 8,318 | 5,849 | 3,956 | 1,891 |

Other information

| SEK million | Q4 | | Jan-Dec | |
|---|--------|----------|---------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| Number of shares and earnings per share | | | | |
| Number of shares, end of period (million) | 3,334 | 3,334 | 3,334 | 3,334 |
| Of which class A-shares (million) | 262 | 262 | 262 | 262 |
| Of which class B-shares (million) | 3,072 | 3,072 | 3,072 | 3,072 |
| Number of treasury shares, end of period (million) | 20 | 37 | 20 | 37 |
| Number of shares outstanding, basic, end of period (million) | 3,314 | 3,297 | 3,314 | 3,297 |
| Numbers of shares outstanding, diluted, end of period (million) | 3,328 | 3,323 | 3,328 | 3,323 |
| Average number of treasury shares (million) | 22 | 38 | 28 | 43 |
| Average number of shares outstanding, basic (million) | 3,313 | 3,296 | 3,306 | 3,291 |
| Average number of shares outstanding, diluted (million) ¹⁾ | 3,326 | 3,322 | 3,320 | 3,318 |
| Earnings (loss) per share, basic (SEK) ²⁾ | 1.34 | -1.99 | 0.67 | -1.98 |
| Earnings (loss) per share, diluted (SEK) ¹⁾ | 1.33 | -1.99 | 0.67 | -1.98 |
| Earnings (loss) per share (Non-IFRS), diluted (SEK) ³⁾ | 1.46 | -0.77 | 1.07 | 0.27 |
| Ratios | | | | |
| Days sales outstanding | - | - | 75 | 91 |
| Inventory turnover days | 73 | 58 | 77 | 70 |
| Payable days | 66 | 57 | 77 | 72 |
| Alternative Performance Measures (APMs) | | | | |
| Equity ratio (%) | - | - | 29.6% | 32.7% |
| Return on equity (%) | 22.0% | -28.8% | 2.6% | -7.1% |
| Return on capital employed (%) | 14.9% | -4.9% | 6.7% | 0.8% |
| Capital turnover (times) | 1.6 | 1.7 | 1.4 | 1.4 |
| Free cash flow | -3,228 | 2,993 | 6,128 | 2,968 |
| Cash conversion (%) | 6.2% | -4374.5% | 120.0% | 601.2% |
| Exchange rates used in the consolidation | | | | |
| SEK/EUR - closing rate | - | - | 10.43 | 10.25 |
| SEK/USD - closing rate | - | - | 9.32 | 8.94 |
| Other | | | | |
| Market area inventory, end of period | - | - | 17,530 | 16,505 |
| Export sales from Sweden | 39,190 | 38,974 | 120,822 | 109,969 |

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

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

³⁾ Excluding amortizations and write-downs of acquired intangibles and restructuring charges.

Number of employees

| End of period | 2019 | | | | 2018 ²⁾ | | | |
|--|---------------|---------------|---------------|---------------|--------------------|---------------|---------------|---------------|
| | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| South East Asia, Oceania and India | 24,559 | 24,322 | 23,942 | 24,051 | 23,959 | 23,607 | 23,516 | 23,623 |
| North East Asia | 13,783 | 13,608 | 13,334 | 13,169 | 12,788 | 12,495 | 12,303 | 12,321 |
| North America | 9,643 | 9,487 | 9,342 | 9,246 | 9,727 | 9,459 | 9,510 | 9,798 |
| Europe and Latin America ¹⁾ | 47,135 | 44,150 | 43,846 | 43,833 | 44,522 | 44,594 | 45,643 | 47,437 |
| Middle East and Africa | 4,297 | 4,320 | 4,292 | 4,281 | 4,363 | 4,344 | 4,288 | 4,402 |
| Total | 99,417 | 95,887 | 94,756 | 94,580 | 95,359 | 94,499 | 95,260 | 97,581 |
| ¹⁾ Of which Sweden | 12,730 | 12,679 | 12,549 | 12,455 | 12,502 | 12,679 | 13,431 | 13,763 |

²⁾ 2018 has been restated to reflect the move of Morocco from market area Europe and Latin America to Middle East and Africa. Please refer to "Changes applied in Q1 2019".

Items excluding restructuring charges

Restructuring charges by function

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|-------------------------------------|-------------|-------------|-------------|-------------|---------------|-------------|---------------|---------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Cost of sales | -218 | -28 | -26 | -65 | -4,054 | -204 | -937 | -743 |
| Research and development expenses | -79 | -98 | -49 | -118 | -251 | -214 | -502 | -326 |
| Selling and administrative expenses | -30 | -21 | -43 | -23 | -106 | -134 | -441 | -103 |
| Total | -327 | -147 | -118 | -206 | -4,411 | -552 | -1,880 | -1,172 |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|-------------------------------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|---------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Cost of sales | -337 | -119 | -91 | -65 | -5,938 | -1,884 | -1,680 | -743 |
| Research and development expenses | -344 | -265 | -167 | -118 | -1,293 | -1,042 | -828 | -326 |
| Selling and administrative expenses | -117 | -87 | -66 | -23 | -784 | -678 | -544 | -103 |
| Total | -798 | -471 | -324 | -206 | -8,015 | -3,604 | -3,052 | -1,172 |

Restructuring charges by segment

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|------------------------------------|-------------|-------------|-------------|-------------|---------------|-------------|---------------|---------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | -48 | -5 | -5 | -10 | -425 | -128 | -749 | -479 |
| <i>of which cost of sales</i> | -24 | 12 | 9 | -3 | -439 | -63 | -469 | -415 |
| <i>of which operating expenses</i> | -24 | -17 | -14 | -7 | 14 | -65 | -280 | -64 |
| Digital Services | -206 | -128 | -93 | -187 | -3,545 | -358 | -882 | -581 |
| <i>of which cost of sales</i> | -125 | -32 | -27 | -60 | -3,369 | -111 | -303 | -226 |
| <i>of which operating expenses</i> | -81 | -96 | -66 | -127 | -176 | -247 | -579 | -355 |
| Managed Services | -42 | -2 | 1 | -2 | -70 | -32 | -123 | -51 |
| <i>of which cost of sales</i> | -40 | -2 | 3 | -1 | -69 | -28 | -103 | -48 |
| <i>of which operating expenses</i> | -2 | 0 | -2 | -1 | -1 | -4 | -20 | -3 |
| Emerging Business and Other | -31 | -12 | -21 | -7 | -371 | -34 | -126 | -61 |
| <i>of which cost of sales</i> | -29 | -6 | -11 | -1 | -177 | -2 | -62 | -54 |
| <i>of which operating expenses</i> | -2 | -6 | -10 | -6 | -194 | -32 | -64 | -7 |
| Total | -327 | -147 | -118 | -206 | -4,411 | -552 | -1,880 | -1,172 |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|------------------------------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|---------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | -68 | -20 | -15 | -10 | -1,781 | -1,356 | -1,228 | -479 |
| <i>of which cost of sales</i> | -6 | 18 | 6 | -3 | -1,386 | -947 | -884 | -415 |
| <i>of which operating expenses</i> | -62 | -38 | -21 | -7 | -395 | -409 | -344 | -64 |
| Digital Services | -614 | -408 | -280 | -187 | -5,366 | -1,821 | -1,463 | -581 |
| <i>of which cost of sales</i> | -244 | -119 | -87 | -60 | -4,009 | -640 | -529 | -226 |
| <i>of which operating expenses</i> | -370 | -289 | -193 | -127 | -1,357 | -1,181 | -934 | -355 |
| Managed Services | -45 | -3 | -1 | -2 | -276 | -206 | -174 | -51 |
| <i>of which cost of sales</i> | -40 | 0 | 2 | -1 | -248 | -179 | -151 | -48 |
| <i>of which operating expenses</i> | -5 | -3 | -3 | -1 | -28 | -27 | -23 | -3 |
| Emerging Business and Other | -71 | -40 | -28 | -7 | -592 | -221 | -187 | -61 |
| <i>of which cost of sales</i> | -47 | -18 | -12 | -1 | -295 | -118 | -116 | -54 |
| <i>of which operating expenses</i> | -24 | -22 | -16 | -6 | -297 | -103 | -71 | -7 |
| Total | -798 | -471 | -324 | -206 | -8,015 | -3,604 | -3,052 | -1,172 |

Gross income and gross margin excluding restructuring charges by segment

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 18,289 | 16,315 | 15,661 | 14,458 | 17,065 | 14,898 | 13,034 | 11,542 |
| Digital Services | 5,023 | 3,781 | 3,338 | 2,938 | 2,129 | 3,319 | 3,761 | 3,118 |
| Managed Services | 1,079 | 1,138 | 776 | 1,037 | 850 | 833 | 912 | 539 |
| Emerging Business and Other | 261 | 334 | 322 | 411 | 389 | 784 | 563 | 402 |
| Total | 24,652 | 21,568 | 20,097 | 18,844 | 20,433 | 19,834 | 18,270 | 15,601 |

| Isolated quarters, as percentage of net sales | 2019 | | | | 2018 | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 41.1% | 41.6% | 41.4% | 43.2% | 41.0% | 41.5% | 40.2% | 40.4% |
| Digital Services | 38.1% | 38.3% | 37.1% | 37.6% | 16.4% | 36.9% | 42.6% | 42.9% |
| Managed Services | 15.4% | 17.9% | 12.3% | 17.7% | 12.4% | 12.9% | 14.0% | 9.1% |
| Emerging Business and Other | 15.1% | 20.5% | 19.2% | 23.5% | 17.1% | 32.3% | 27.4% | 24.3% |
| Total | 37.1% | 37.8% | 36.7% | 38.5% | 32.0% | 36.9% | 36.7% | 35.9% |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 64,723 | 46,434 | 30,119 | 14,458 | 56,539 | 39,474 | 24,576 | 11,542 |
| Digital Services | 15,080 | 10,057 | 6,276 | 2,938 | 12,327 | 10,198 | 6,879 | 3,118 |
| Managed Services | 4,030 | 2,951 | 1,813 | 1,037 | 3,134 | 2,284 | 1,451 | 539 |
| Emerging Business and Other | 1,328 | 1,067 | 733 | 411 | 2,138 | 1,749 | 965 | 402 |
| Total | 85,161 | 60,509 | 38,941 | 18,844 | 74,138 | 53,705 | 33,871 | 15,601 |

| Year to date, as percentage of net sales | 2019 | | | | 2018 | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 41.8% | 42.0% | 42.2% | 43.2% | 40.8% | 40.7% | 40.3% | 40.4% |
| Digital Services | 37.8% | 37.7% | 37.3% | 37.6% | 32.4% | 40.7% | 42.7% | 42.9% |
| Managed Services | 15.8% | 15.9% | 14.9% | 17.7% | 12.2% | 12.1% | 11.7% | 9.1% |
| Emerging Business and Other | 19.6% | 21.1% | 21.4% | 23.5% | 25.4% | 28.5% | 26.0% | 24.3% |
| Total | 37.5% | 37.6% | 37.5% | 38.5% | 35.2% | 36.5% | 36.3% | 35.9% |

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

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--------------------------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 6,447 | 7,221 | 5,685 | 5,482 | 7,275 | 5,784 | 4,293 | 3,850 |
| Digital Services | 42 | -532 | -1,312 | -1,611 | -3,542 | -1,426 | -1,492 | -2,026 |
| Managed Services | 334 | 564 | 202 | 1,254 | 355 | 441 | 422 | 151 |
| Emerging Business and Other | -371 | -11,302 | -718 | -23 | -1,529 | -1,006 | -1,178 | -1,115 |
| Total | 6,452 | -4,049 | 3,857 | 5,102 | 2,559 | 3,793 | 2,045 | 860 |

| Isolated quarters, as percentage of net sales | 2019 | | | | 2018 | | | |
|---|-------------|--------------|-------------|--------------|-------------|-------------|-------------|-------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 14.5% | 18.4% | 15.0% | 16.4% | 17.5% | 16.1% | 13.3% | 13.5% |
| Digital Services | 0.3% | -5.4% | -14.6% | -20.6% | -27.2% | -15.9% | -16.9% | -27.9% |
| Managed Services | 4.8% | 8.9% | 3.2% | 21.4% | 5.2% | 6.8% | 6.5% | 2.6% |
| Emerging Business and Other | -21.4% | -695.1% | -42.8% | -1.3% | -67.1% | -41.5% | -57.4% | -67.5% |
| Total | 9.7% | -7.1% | 7.0% | 10.4% | 4.0% | 7.0% | 4.1% | 2.0% |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|-----------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 24,835 | 18,388 | 11,167 | 5,482 | 21,202 | 13,927 | 8,143 | 3,850 |
| Digital Services | -3,413 | -3,455 | -2,923 | -1,611 | -8,486 | -4,944 | -3,518 | -2,026 |
| Managed Services | 2,354 | 2,020 | 1,456 | 1,254 | 1,369 | 1,014 | 573 | 151 |
| Emerging Business and Other | -12,414 | -12,043 | -741 | -23 | -4,828 | -3,299 | -2,293 | -1,115 |
| Total | 11,362 | 4,910 | 8,959 | 5,102 | 9,257 | 6,698 | 2,905 | 860 |

| Year to date, as percentage of net sales | 2019 | | | | 2018 | | | |
|--|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 16.0% | 16.6% | 15.7% | 16.4% | 15.3% | 14.4% | 13.4% | 13.5% |
| Digital Services | -8.6% | -12.9% | -17.4% | -20.6% | -22.3% | -19.7% | -21.9% | -27.9% |
| Managed Services | 9.2% | 10.9% | 12.0% | 21.4% | 5.3% | 5.4% | 4.6% | 2.6% |
| Emerging Business and Other | -183.0% | -238.2% | -21.6% | -1.3% | -57.4% | -53.8% | -61.9% | -67.5% |
| Total | 5.0% | 3.1% | 8.6% | 10.4% | 4.4% | 4.6% | 3.1% | 2.0% |

Alternative performance measures

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

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

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

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

The implementation of IFRS 16 "Leasing" as of January 1, 2019, has had an impact on many of the APMs for 2019. For more

information, see "Accounting policies" in this report. The APMs for 2018 has not changed. The definition of the APM Net cash has been clarified.

The Company has decided to change the definition of Return on capital employed (ROCE) and no longer include Financial income in the calculation from Q2 2019. The Company believes the updated definition is a better way of reflecting the underlying results of the operation of the Company. The prior periods have been restated to reflect the change.

The Company has decided to update the definitions of Free cash flow and Free cash flow excluding M&A to include the amortization of lease liabilities. The Company believes the updated definitions are a better way of reflecting the cash flows generated by the company that can be used to expand the business, pay dividends and reduce debt. The first three quarters of 2019 have been restated to reflect the change.

For additional information, see Alternative Performance Measures in the Ericsson Annual Report 2018.

Sales growth adjusted for comparable units and currency

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

| Isolated quarters, year over year change | 2019 | | | | 2018 | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Reported net sales | 66,373 | 57,127 | 54,810 | 48,906 | 63,809 | 53,810 | 49,808 | 43,411 |
| Acquired business | -96 | - | - | - | - | - | - | - |
| Net FX impact | -2,748 | -2,457 | -2,538 | -2,932 | -3,549 | -3,748 | -263 | 3,328 |
| Comparable net sales, excluding FX impact | 63,529 | 54,670 | 52,272 | 45,974 | 60,260 | 50,062 | 49,545 | 46,739 |
| Comparable quarter net sales adjusted for divested business ¹ | 63,037 | 53,077 | 49,055 | 42,961 | - | - | - | - |
| Sales growth adjusted for comparable units and currency (%) | 1% | 3% | 7% | 7% | 4% | 1% | -1% | -2% |

| Year to date, year over year change | 2019 | | | | 2018 | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Reported net sales | 227,216 | 160,843 | 103,716 | 48,906 | 210,838 | 147,029 | 93,219 | 43,411 |
| Acquired business | -96 | - | - | - | - | - | - | - |
| Net FX impact | -10,675 | -7,927 | -5,470 | -2,932 | -4,232 | -683 | 3,065 | 3,328 |
| Comparable net sales, excluding FX impact | 216,445 | 152,916 | 98,246 | 45,974 | 206,606 | 146,346 | 96,284 | 46,739 |
| Comparable year to date net sales adjusted for divested business ¹ | 208,130 | 145,093 | 92,016 | 42,961 | - | - | - | - |
| Sales growth adjusted for comparable units and currency (%) | 4% | 5% | 7% | 7% | 1% | -1% | -2% | -2% |

¹ Adjusted for MediaKind divestment.

Items excluding restructuring charges

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

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Gross income | 24,434 | 21,540 | 20,071 | 18,779 | 16,379 | 19,630 | 17,333 | 14,858 |
| Net sales | 66,373 | 57,127 | 54,810 | 48,906 | 63,809 | 53,810 | 49,808 | 43,411 |
| Gross margin (%) | 36.8% | 37.7% | 36.6% | 38.4% | 25.7% | 36.5% | 34.8% | 34.2% |
| Gross income | 24,434 | 21,540 | 20,071 | 18,779 | 16,379 | 19,630 | 17,333 | 14,858 |
| Restructuring charges included in cost of sales | 218 | 28 | 26 | 65 | 4,054 | 204 | 937 | 743 |
| Gross income excluding restructuring charges | 24,652 | 21,568 | 20,097 | 18,844 | 20,433 | 19,834 | 18,270 | 15,601 |
| Net sales | 66,373 | 57,127 | 54,810 | 48,906 | 63,809 | 53,810 | 49,808 | 43,411 |
| Gross margin excluding restructuring charges (%) | 37.1% | 37.8% | 36.7% | 38.5% | 32.0% | 36.9% | 36.7% | 35.9% |
| Operating expenses | -19,028 | -14,217 | -16,331 | -14,639 | -17,964 | -16,422 | -17,205 | -15,257 |
| Restructuring charges included in R&D expenses | 79 | 98 | 49 | 118 | 251 | 214 | 502 | 326 |
| Restructuring charges included in selling and administrative expenses | 30 | 21 | 43 | 23 | 106 | 134 | 441 | 103 |
| Operating expenses excluding restructuring charges | -18,919 | -14,098 | -16,239 | -14,498 | -17,607 | -16,074 | -16,262 | -14,828 |
| Operating income (loss) | 6,125 | -4,196 | 3,739 | 4,896 | -1,852 | 3,241 | 165 | -312 |
| Net sales | 66,373 | 57,127 | 54,810 | 48,906 | 63,809 | 53,810 | 49,808 | 43,411 |
| Operating margin (%) | 9.2% | -7.3% | 6.8% | 10.0% | -2.9% | 6.0% | 0.3% | -0.7% |
| Operating income (loss) | 6,125 | -4,196 | 3,739 | 4,896 | -1,852 | 3,241 | 165 | -312 |
| Total restructuring charges | 327 | 147 | 118 | 206 | 4,411 | 552 | 1,880 | 1,172 |
| Operating income (loss) excluding restructuring charges | 6,452 | -4,049 | 3,857 | 5,102 | 2,559 | 3,793 | 2,045 | 860 |
| Net sales | 66,373 | 57,127 | 54,810 | 48,906 | 63,809 | 53,810 | 49,808 | 43,411 |
| Operating margin excluding restructuring charges (%) | 9.7% | -7.1% | 7.0% | 10.4% | 4.0% | 7.0% | 4.1% | 2.0% |
| Year to date, SEK million | 2019 | | | | 2018 | | | |
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Gross income | 84,824 | 60,390 | 38,850 | 18,779 | 68,200 | 51,821 | 32,191 | 14,858 |
| Net sales | 227,216 | 160,843 | 103,716 | 48,906 | 210,838 | 147,029 | 93,219 | 43,411 |
| Gross margin (%) | 37.3% | 37.5% | 37.5% | 38.4% | 32.3% | 35.2% | 34.5% | 34.2% |
| Gross income | 84,824 | 60,390 | 38,850 | 18,779 | 68,200 | 51,821 | 32,191 | 14,858 |
| Restructuring charges included in cost of sales | 337 | 119 | 91 | 65 | 5,938 | 1,884 | 1,680 | 743 |
| Gross income excluding restructuring charges | 85,161 | 60,509 | 38,941 | 18,844 | 74,138 | 53,705 | 33,871 | 15,601 |
| Net sales | 227,216 | 160,843 | 103,716 | 48,906 | 210,838 | 147,029 | 93,219 | 43,411 |
| Gross margin excluding restructuring charges (%) | 37.5% | 37.6% | 37.5% | 38.5% | 35.2% | 36.5% | 36.3% | 35.9% |
| Operating expenses | -64,215 | -45,187 | -30,970 | -14,639 | -66,848 | -48,884 | -32,462 | -15,257 |
| Restructuring charges included in R&D expenses | 344 | 265 | 167 | 118 | 1,293 | 1,042 | 828 | 326 |
| Restructuring charges included in selling and administrative expenses | 117 | 87 | 66 | 23 | 784 | 678 | 544 | 103 |
| Operating expenses excluding restructuring charges | -63,754 | -44,835 | -30,737 | -14,498 | -64,771 | -47,164 | -31,090 | -14,828 |
| Operating income (loss) | 10,564 | 4,439 | 8,635 | 4,896 | 1,242 | 3,094 | -147 | -312 |
| Net sales | 227,216 | 160,843 | 103,716 | 48,906 | 210,838 | 147,029 | 93,219 | 43,411 |
| Operating margin (%) | 4.6% | 2.8% | 8.3% | 10.0% | 0.6% | 2.1% | -0.2% | -0.7% |
| Operating income (loss) | 10,564 | 4,439 | 8,635 | 4,896 | 1,242 | 3,094 | -147 | -312 |
| Total restructuring charges | 798 | 471 | 324 | 206 | 8,015 | 3,604 | 3,052 | 1,172 |
| Operating income (loss) excluding restructuring charges | 11,362 | 4,910 | 8,959 | 5,102 | 9,257 | 6,698 | 2,905 | 860 |
| Net sales | 227,216 | 160,843 | 103,716 | 48,906 | 210,838 | 147,029 | 93,219 | 43,411 |
| Operating margin excluding restructuring charges (%) | 5.0% | 3.1% | 8.6% | 10.4% | 4.4% | 4.6% | 3.1% | 2.0% |

EBITA and EBITA margin

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

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net income (loss) | 4,484 | -6,894 | 1,847 | 2,403 | -6,497 | 2,748 | -1,802 | -725 |
| Taxes | 1,570 | 2,013 | 1,451 | 1,888 | 3,930 | -146 | 1,157 | -128 |
| Financial income and expenses, net | 71 | 685 | 441 | 605 | 715 | 639 | 810 | 541 |
| Amortization and write-downs of acquired intangibles | 269 | 229 | 226 | 314 | 621 | 344 | 350 | 347 |
| EBITA | 6,394 | -3,967 | 3,965 | 5,210 | -1,231 | 3,585 | 515 | 35 |
| Net sales | 66,373 | 57,127 | 54,810 | 48,906 | 63,809 | 53,810 | 49,808 | 43,411 |
| EBITA margin (%) | 9.6% | -6.9% | 7.2% | 10.7% | -1.9% | 6.7% | 1.0% | 0.1% |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Net income (loss) | 1,840 | -2,644 | 4,250 | 2,403 | -6,276 | 221 | -2,527 | -725 |
| Taxes | 6,922 | 5,352 | 3,339 | 1,888 | 4,813 | 883 | 1,029 | -128 |
| Financial income and expenses, net | 1,802 | 1,731 | 1,046 | 605 | 2,705 | 1,990 | 1,351 | 541 |
| Amortization and write-downs of acquired intangibles | 1,038 | 769 | 540 | 314 | 1,662 | 1,041 | 697 | 347 |
| EBITA | 11,602 | 5,208 | 9,175 | 5,210 | 2,904 | 4,135 | 550 | 35 |
| Net sales | 227,216 | 160,843 | 103,716 | 48,906 | 210,838 | 147,029 | 93,219 | 43,411 |
| EBITA margin (%) | 5.1% | 3.2% | 8.8% | 10.7% | 1.4% | 2.8% | 0.6% | 0.1% |

Cash conversion

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

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|-------------------------------------|-------|---------|-------|--------|----------|-------|---------|---------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net income (loss) | 4,484 | -6,894 | 1,847 | 2,403 | -6,497 | 2,748 | -1,802 | -725 |
| Net income reconciled to cash | 7,953 | -4,320 | 4,952 | 5,481 | -98 | 2,916 | -259 | -1,005 |
| Cash flow from operating activities | 496 | 6,989 | 3,623 | 5,765 | 4,287 | 2,040 | 1,442 | 1,573 |
| Cash conversion (%) | 6.2% | -161.8% | 73.2% | 105.2% | -4374.5% | 70.0% | -556.8% | -156.5% |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Net income (loss) | 1,840 | -2,644 | 4,250 | 2,403 | -6,276 | 221 | -2,527 | -725 |
| Net income reconciled to cash | 14,066 | 6,113 | 10,433 | 5,481 | 1,554 | 1,652 | -1,264 | -1,005 |
| Cash flow from operating activities | 16,873 | 16,377 | 9,388 | 5,765 | 9,342 | 5,055 | 3,015 | 1,573 |
| Cash conversion (%) | 120.0% | 267.9% | 90.0% | 105.2% | 601.2% | 306.0% | -238.5% | -156.5% |

Gross cash and net cash, end of period

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

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

| SEK million | 2019 | | | | 2018 | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Cash and cash equivalents | 45,079 | 51,183 | 45,498 | 45,453 | 38,389 | 36,058 | 37,049 | 36,697 |
| + Interest-bearing securities, current | 6,759 | 5,866 | 6,367 | 3,183 | 6,625 | 6,591 | 8,304 | 5,453 |
| + Interest-bearing securities, non-current | 20,354 | 19,157 | 17,091 | 23,022 | 23,982 | 23,014 | 21,501 | 27,104 |
| Gross cash, end of period | 72,192 | 76,206 | 68,956 | 71,658 | 68,996 | 65,663 | 66,854 | 69,254 |
| - Borrowings, current | 9,439 | 1,622 | 2,160 | 3,015 | 2,255 | 2,463 | 2,642 | 2,554 |
| - Borrowings, non-current | 28,257 | 37,153 | 33,040 | 32,533 | 30,870 | 31,187 | 31,131 | 31,134 |
| Net cash, end of period | 34,496 | 37,431 | 33,756 | 36,110 | 35,871 | 32,013 | 33,081 | 35,566 |

Capital employed

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

| SEK million | 2019 | | | | 2018 | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Total assets | 276,383 | 288,531 | 280,447 | 283,958 | 268,761 | 264,848 | 265,322 | 260,681 |
| Non-interest-bearing provisions and liabilities | | | | | | | | |
| Provisions, non-current | 2,679 | 2,308 | 2,646 | 2,670 | 5,471 | 3,420 | 2,819 | 2,597 |
| Deferred tax liabilities | 1,224 | 857 | 1,178 | 792 | 670 | 1,274 | 1,332 | 1,325 |
| Other non-current liabilities | 2,114 | 2,163 | 2,160 | 2,118 | 4,346 | 4,456 | 4,549 | 2,792 |
| Provisions, current | 8,244 | 19,699 | 8,712 | 9,363 | 10,537 | 5,275 | 6,715 | 6,435 |
| Contract liabilities | 29,041 | 34,499 | 37,264 | 38,605 | 29,348 | 30,108 | 30,959 | 30,391 |
| Trade payables | 30,403 | 30,672 | 31,388 | 30,842 | 29,883 | 28,914 | 28,563 | 26,453 |
| Other current liabilities | 37,405 | 34,624 | 33,351 | 38,528 | 38,891 | 36,323 | 35,746 | 37,888 |
| Capital employed | 165,273 | 163,709 | 163,748 | 161,040 | 149,615 | 155,078 | 154,639 | 152,800 |

Capital turnover

Annualized net sales divided by average capital employed.

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net sales | 66,373 | 57,127 | 54,810 | 48,906 | 63,809 | 53,810 | 49,808 | 43,411 |
| Annualized net sales | 265,492 | 228,508 | 219,240 | 195,624 | 255,236 | 215,240 | 199,232 | 173,644 |
| Average capital employed | | | | | | | | |
| Capital employed at beginning of period | 163,709 | 163,748 | 161,040 | 149,615 | 155,078 | 154,639 | 152,800 | 155,625 |
| Capital employed at end of period | 165,273 | 163,709 | 163,748 | 161,040 | 149,615 | 155,078 | 154,639 | 152,800 |
| Average capital employed | 164,491 | 163,729 | 162,394 | 155,328 | 152,347 | 154,859 | 153,720 | 154,213 |
| Capital turnover (times) | 1.6 | 1.4 | 1.4 | 1.3 | 1.7 | 1.4 | 1.3 | 1.1 |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Net sales | 227,216 | 160,843 | 103,716 | 48,906 | 210,838 | 147,029 | 93,219 | 43,411 |
| Annualized net sales | 227,216 | 214,457 | 207,432 | 195,624 | 210,838 | 196,039 | 186,438 | 173,644 |
| Average capital employed | | | | | | | | |
| Capital employed at beginning of period | 149,615 | 149,615 | 149,615 | 149,615 | 155,625 | 155,625 | 155,625 | 155,625 |
| Capital employed at end of period | 165,273 | 163,709 | 163,748 | 161,040 | 149,615 | 155,078 | 154,639 | 152,800 |
| Average capital employed | 157,444 | 156,662 | 156,682 | 155,328 | 152,620 | 155,352 | 155,132 | 154,213 |
| Capital turnover (times) | 1.4 | 1.4 | 1.3 | 1.3 | 1.4 | 1.3 | 1.2 | 1.1 |

Return on capital employed

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

The definition is updated. Refer to the clarification provided at the beginning of the APM section.

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Operating income (loss) | 6,125 | -4,196 | 3,739 | 4,896 | -1,852 | 3,241 | 165 | -312 |
| Annualized operating income (loss) | 24,500 | -16,784 | 14,956 | 19,584 | -7,408 | 12,964 | 660 | -1,248 |
| Average capital employed | | | | | | | | |
| Capital employed at beginning of period | 163,709 | 163,748 | 161,040 | 149,615 | 155,078 | 154,639 | 152,800 | 155,625 |
| Capital employed at end of period | 165,273 | 163,709 | 163,748 | 161,040 | 149,615 | 155,078 | 154,639 | 152,800 |
| Average capital employed | 164,491 | 163,729 | 162,394 | 155,328 | 152,347 | 154,859 | 153,720 | 154,213 |
| Return on capital employed (%) | 14.9% | -10.3% | 9.2% | 12.6% | -4.9% | 8.4% | 0.4% | -0.8% |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Operating income (loss) | 10,564 | 4,439 | 8,635 | 4,896 | 1,242 | 3,094 | -147 | -312 |
| Annualized operating income (loss) | 10,564 | 5,919 | 17,270 | 19,584 | 1,242 | 4,125 | -294 | -1,248 |
| Average capital employed | | | | | | | | |
| Capital employed at beginning of period | 149,615 | 149,615 | 149,615 | 149,615 | 155,625 | 155,625 | 155,625 | 155,625 |
| Capital employed at end of period | 165,273 | 163,709 | 163,748 | 161,040 | 149,615 | 155,078 | 154,639 | 152,800 |
| Average capital employed | 157,444 | 156,662 | 156,682 | 155,328 | 152,620 | 155,352 | 155,132 | 154,213 |
| Return on capital employed (%) | 6.7% | 3.8% | 11.0% | 12.6% | 0.8% | 2.7% | -0.2% | -0.8% |

Equity ratio

Equity expressed as a percentage of total assets.

| SEK million | 2019 | | | | 2018 | | | |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Total equity | 81,878 | 77,475 | 84,533 | 84,532 | 87,770 | 95,953 | 93,560 | 93,466 |
| Total assets | 276,383 | 288,531 | 280,447 | 283,958 | 268,761 | 264,848 | 265,322 | 260,681 |
| Equity ratio (%) | 29.6% | 26.9% | 30.1% | 29.8% | 32.7% | 36.2% | 35.3% | 35.9% |

Return on equity

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

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--|--------|---------|--------|--------|---------|--------|--------|--------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net income (loss) attributable to stockholders of the Parent Company | 4,430 | -6,229 | 1,705 | 2,317 | -6,553 | 2,745 | -1,885 | -837 |
| Annualized | 17,720 | -24,916 | 6,820 | 9,268 | -26,212 | 10,980 | -7,540 | -3,348 |
| Average stockholders' equity | | | | | | | | |
| Stockholders' equity, beginning of period | 78,200 | 84,488 | 84,619 | 86,978 | 95,087 | 92,689 | 92,703 | 95,952 |
| Stockholders' equity, end of period | 82,559 | 78,200 | 84,488 | 84,619 | 86,978 | 95,087 | 92,689 | 92,703 |
| Average stockholders' equity | 80,380 | 81,344 | 84,554 | 85,799 | 91,033 | 93,888 | 92,696 | 94,328 |
| Return on equity (%) | 22.0% | -30.6% | 8.1% | 10.8% | -28.8% | 11.7% | -8.1% | -3.5% |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Net income (loss) attributable to stockholders of the Parent Company | 2,223 | -2,207 | 4,022 | 2,317 | -6,530 | 23 | -2,722 | -837 |
| Annualized | 2,223 | -2,943 | 8,044 | 9,268 | -6,530 | 31 | -5,444 | -3,348 |
| Average stockholders' equity | | | | | | | | |
| Stockholders' equity, beginning of period | 86,978 | 86,978 | 86,978 | 86,978 | 95,952 | 95,952 | 95,952 | 95,952 |
| Stockholders' equity, end of period | 82,559 | 78,200 | 84,488 | 84,619 | 86,978 | 95,087 | 92,689 | 92,703 |
| Average stockholders' equity | 84,769 | 82,589 | 85,733 | 85,799 | 91,465 | 95,520 | 94,321 | 94,328 |
| Return on equity (%) | 2.6% | -3.6% | 9.4% | 10.8% | -7.1% | 0.0% | -5.8% | -3.5% |

Earnings (loss) per share (non-IFRS)

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

| Isolated quarters, SEK | 2019 | | | | 2018 | | | |
|--|------|-------|------|------|-------|------|-------|-------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Earnings (loss) per share, diluted | 1.33 | -1.89 | 0.51 | 0.70 | -1.99 | 0.83 | -0.58 | -0.25 |
| Restructuring charges | 0.07 | 0.04 | 0.02 | 0.05 | 1.06 | 0.12 | 0.41 | 0.30 |
| Amortization and write-downs of acquired intangibles | 0.06 | 0.05 | 0.06 | 0.05 | 0.16 | 0.08 | 0.08 | 0.06 |
| Earnings (loss) per share (non-IRFS) | 1.46 | -1.80 | 0.59 | 0.80 | -0.77 | 1.03 | -0.09 | 0.11 |

| Year to date, SEK | 2019 | | | | 2018 | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Earnings (loss) per share, diluted | 0.67 | -0.67 | 1.21 | 0.70 | -1.98 | 0.01 | -0.83 | -0.25 |
| Restructuring charges | 0.18 | 0.11 | 0.07 | 0.05 | 1.88 | 0.82 | 0.71 | 0.30 |
| Amortization and write-downs of acquired intangibles | 0.22 | 0.16 | 0.11 | 0.05 | 0.37 | 0.21 | 0.14 | 0.06 |
| Earnings (loss) per share (non-IRFS) | 1.07 | -0.40 | 1.39 | 0.80 | 0.27 | 1.04 | 0.02 | 0.11 |

Free cash flow and free cash flow excluding M&A

Free cash flow: Cash flow from operating activities less net capital expenditures, other investments and amortization of lease liabilities. Free cash flow excluding M&A: Cash flow from operating activities less net capital expenditures, other investments (excluding M&A) and amortization of lease liabilities.

The definition is updated. Refer to the clarification provided at the beginning of the APM section.

| Isolated quarters, SEK million | 2019 | | | | 2018 | | | |
|--|--------|--------|--------|--------|--------|--------|-------|-------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Cash flow from operating activities | 496 | 6,989 | 3,623 | 5,765 | 4,287 | 2,040 | 1,442 | 1,573 |
| Net capital expenditures and other investments (excluding M&A) | | | | | | | | |
| Investments in property, plant and equipment | -1,475 | -1,231 | -1,098 | -1,314 | -1,080 | -1,088 | -951 | -856 |
| Sales of property, plant and equipment | 206 | 122 | 184 | 232 | 57 | 102 | 52 | 123 |
| Product development | -329 | -313 | -446 | -457 | -195 | -151 | -325 | -254 |
| Other investing activities | -74 | -56 | -36 | -165 | -96 | -190 | -398 | 161 |
| Lease liabilities | -711 | -1,052 | -623 | -604 | - | - | - | - |
| Free cash flow excluding M&A | -1,887 | 4,459 | 1,604 | 3,457 | 2,973 | 713 | -180 | 747 |
| Acquisitions/divestments of subsidiaries and other operations, net | -1,341 | -466 | 3 | 299 | 20 | -425 | -431 | -449 |
| Free cash flow | -3,228 | 3,993 | 1,607 | 3,756 | 2,993 | 288 | -611 | 298 |

| Year to date, SEK million | 2019 | | | | 2018 | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Cash flow from operating activities | 16,873 | 16,377 | 9,388 | 5,765 | 9,342 | 5,055 | 3,015 | 1,573 |
| Net capital expenditures and other investments (excluding M&A) | | | | | | | | |
| Investments in property, plant and equipment | -5,118 | -3,643 | -2,412 | -1,314 | -3,975 | -2,895 | -1,807 | -856 |
| Sales of property, plant and equipment | 744 | 538 | 416 | 232 | 334 | 277 | 175 | 123 |
| Product development | -1,545 | -1,216 | -903 | -457 | -925 | -730 | -579 | -254 |
| Other investing activities | -331 | -257 | -201 | -165 | -523 | -427 | -237 | 161 |
| Lease liabilities | -2,990 | -2,279 | -1,227 | -604 | - | - | - | - |
| Free cash flow excluding M&A | 7,633 | 9,520 | 5,061 | 3,457 | 4,253 | 1,280 | 567 | 747 |
| Acquisitions/divestments of subsidiaries and other operations, net | -1,505 | -164 | 302 | 299 | -1,285 | -1,305 | -880 | -449 |
| Free cash flow | 6,128 | 9,356 | 5,363 | 3,756 | 2,968 | -25 | -313 | 298 |