
ERICSSON ANNOUNCES PRELIMINARY Q3, 2016 EARNINGS

- Business result for the third quarter 2016 will be significantly lower than company expectations. Negative industry trends from first half 2016, with weaker demand for mobile broadband, especially in markets with weak macro-economic environment, have further accelerated.
- Sales declined by -14% YoY to SEK 51.1 (59.2) b., driven by slower development in Segment Networks where sales declined by -19%.
- Gross margin declined to 28% (34%) following lower volumes in Segment Networks, lower mobile broadband capacity sales, and higher share of services sales.
- Operating income declined to SEK 0.3 (5.1) b., including restructuring charges of SEK 1.3 b.
- Current trends are expected to continue short term.
- All numbers are preliminary and unaudited.
- Conference call for analysts, investors and media will be held today, October 12, 09.00 CEST
- Full report to be published October 21, approx. 07.30 CEST.

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

Jan Frykhammar, President and CEO says: "Our result is significantly lower than we expected, with a particularly weak end of the quarter, and deviates from what we previously have communicated regarding market development. The negative industry trends have further accelerated affecting primarily Segment Networks. Continued progress in our cost reduction programs did not offset the lower sales and gross margin. More in-depth analysis remains to be done but current trends are expected to continue short-term. We will continue to drive the ongoing cost program and implement further reductions in cost of sales to meet the lower sales volumes."

Key numbers (preliminary and unaudited)

SEK b.	Q316	Q315	YoY change	Q216	QoQ change
Sales	51.1	59.2	-14%	54.1	-6%
<i>Of which Networks</i>	23.3	28.8	-19%	26.8	-13%
Gross income	14.5	20.1	-28%	17.5	-17%
Gross margin	28.3%	33.9%	-	32.3%	-
Operating expenses	-14.1	-14.9	-6%	-14.5	-3%
Operating income	0.3	5.1	-93%	2.8	-88%
<i>Of which Networks</i>	-0.3	2.8	-109%	1.6	-116%
<i>Operating income excl. restructuring charges</i>	1.6	6.1	-73%	3.8	-58%

Ericsson will, as previously communicated, announce its full report for the third quarter 2016 on October 21, at approximately 07.30 CET.

CONFERENCE CALL FOR ANALYSTS, INVESTORS AND JOURNALISTS

Following today's announcement Ericsson will host a conference call for analysts, investors and journalists starting at 09.00 CEST (08.00 BST in the UK, 03.00 EDT in the US and 16.00 JST in Japan).

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Please call in at least 15 minutes before the conference call begins. With a large number of callers, it may take some time before you are connected.

Live audio webcast of the conference call is also available [here](#)

Replay of the conference call details will be available approximately one hour after the call on www.ericsson.com/press and www.ericsson.com/investors, where supporting presentation will also be available.

NOTES TO EDITORS

For media kits, backgrounders and high-resolution photos, please visit www.ericsson.com/press

Ericsson is the driving force behind the Networked Society – a world leader in communications technology and services. Our long-term relationships with every major

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telecom operator in the world allow people, business and society to fulfill their potential and create a more sustainable future.

Our services, software and infrastructure – especially in mobility, broadband and the cloud – are enabling the telecom industry and other sectors to do better business, increase efficiency, improve the user experience and capture new opportunities.

With approximately 115,000 professionals and customers in 180 countries, we combine global scale with technology and services leadership. We support networks that connect more than 2.5 billion subscribers. Forty percent of the world's mobile traffic is carried over Ericsson networks. And our investments in research and development ensure that our solutions – and our customers – stay in front.

Founded in 1876, Ericsson has its headquarters in Stockholm, Sweden. Net sales in 2015 were SEK 246.9 billion (USD 29.4 billion). Ericsson is listed on NASDAQ OMX stock exchange in Stockholm and the NASDAQ in New York.

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