

Ericsson financial information restated for IFRS 15

- New accounting standard IFRS 15 effective as of January 1, 2018
- Ericsson discloses restated financial information for full year 2016 and each quarter of 2017
- The standard impacts timing of recognition of revenue and costs, while no impact on cash flow
- 2020 financial targets and near-term planning assumptions unchanged

Ericsson (NASDAQ: ERIC) announces restated consolidated income statement information, in line with the new accounting standard IFRS 15, applied as of January 1, 2018.

To facilitate year-on-year comparisons, Ericsson discloses restated financial information for full year 2016 and each quarter of 2017. The complete tables of restated financial information are available at www.ericsson.com/investors.

The transition to IFRS 15 reduced equity by SEK 2.6 billion on January 1, 2018. This is in line with the amounts estimated by the Company in the 2017 Annual Report.

The new standard impacts the timing of recognition of revenue and costs, while having no impact on cash flow. For more details on the implementation of the new standards, please see the Ericsson 2017 Annual Report note C1, page 45, "Accounting Policy – New standards and interpretations".

A comparison between IFRS 15 restated financial information and previously reported financial results for full year 2017 and 2016 is summarized in the table below.

Reported SEK million	2017 Full Year IFRS 15 restated	2017 Full Year reported	Change	2016 Full Year IFRS 15 restated	2016 Full Year reported	Change
Net Sales	205,378	201,303	4,075	220,316	222,608	-2,292
Gross Margin	23.3%	22.1%		29.6%	29.8%	
Operating Income	-34,743	-38,126	3,383	5,187	6,299	-1,112

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The main reason of the changed sales and income is different timing in recognition of customer discounts between IFRS 15 and the previous standard. Previously, discounts related to contracts from 2016 and earlier, had a negative impact on sales and income in 2017. In the IFRS 15 restate this has been reversed, meaning that sales and income in 2017 have been increased and previous periods have been lowered. Since the amount of upfront discounts have significantly been reduced from mid-2016 and onwards, the shift of revenue from 2017 to 2018 will not be as significant as in 2016 to 2017. Therefore the 2017 numbers before the IFRS 15 restate is more relevant for comparison of 2018.

Implementation of the new accounting standards does not impact the financial targets presented at the Capital Markets Day in November 2017. The IFRS 15 restate does not change the planning assumptions presented in the fourth quarter 2017 report, being based on the 2017 numbers before the IFRS 15 restate.

As per IFRS 9, also effective as of January 1, 2018, impairment losses on trade receivables are now reported separately in the income statement. Previously, these losses have been reported as Selling and Administrative expenses.

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ABOUT ERICSSON

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