

## Ericsson extends leadership in 2G and 3G – growing faster than the market

- *In 2000, sales up 27% and orders up 31% (for comparable units 29% and 33%)*
- *Increasing investment in 3G to reinforce success*
- *Operating margin in line with outlook*
- *Mobile phones: Complete transfer of production. Additional restructuring charges in 2000 of SEK 8b. raising cost savings to SEK 15b. per year by 2002*
- *A capital gain of SEK 15.4b. from sale of Juniper Networks shares*
- *Outlook 2001: Sales growth 15-20% and operating margin between 6 and 8 %, with increased 3G investments.*

(SEK b.)	Fourth Quarter			Twelve months		
	2000	1999	Change %	2000	1999	Change %
Orders	79.5	66.0	20%	292.3	223.8	31%
Sales	82.1	73.8	11%	273.6	215.4	27%
Operating income	5.6	8.7	-33%	31.2	17.6	77%
Adjusted Operating income 1)	-1.5	8.7		16.7	17.9	-7%
Adjusted Operating margin %	-1.8%	11.8%		6.1%	8.3%	
Income before tax (IBT)	4.6	8.5	-46%	28.7	16.4	75%
EPS, fully diluted (SEK)	0.28	0.78	-64%	2.65	1.54	72%
EPS US GAAP, fully diluted (SEK)	1.15	0.96	20%	3.44	1.92	79%
Cash flow before financing activities	11.6	9.5		6.4	-2.4	
1) Adjusted for						
Capital gain Juniper	15.4			15.4		
Non-operational gains/losses & pension refund	-0.2			7.0	-0.3	
Additional restructuring in phones	-8.0			-8.0		

### Results in line with guidance

With an adjusted operating margin of 6.1% for 2000 and a positive cash flow in the fourth quarter, Ericsson delivered a financial performance in line with guidance. Sales and orders growth were driven once again by continued strong performance in mobile systems.

In the fourth quarter, Ericsson achieved an operating income of SEK 5.6b. Adjusted operating income was SEK -1.5b., excluding capital gain from Juniper shares, SEK 15.4b., non-operational capital losses of SEK -0.2b., and additional restructuring charges of SEK 8b. for the full outsourcing of the mobile phone production. The adjusted operating income includes earlier announced restructuring costs of SEK 4.7b.

## CEO COMMENT

“We have generated a solid growth, and in mobile systems we have once again managed to grow even faster than the market, with good profitability”, said Kurt Hellström, President and CEO of Ericsson.

“We are now the world leader in both 2G and 3G mobile systems. We have captured well over 50% of the GPRS and 3G orders so far. We are in a prime position to increase our market share in the shift to 3G; one of the largest technology shifts ever. We have achieved this with our customer base, our technology leadership, and our ability and commitment to deliver these systems in large volumes. We are now aggressively investing even more in 3G to secure our commitments.

“The results in our mobile phones business, while in line with expectations, remain unsatisfactory. As announced, the losses are caused by delivery failure from key suppliers and an inadequate product mix in the entry-level market. The delivery failures have led to loss of large sales volumes and serious under-utilization of production capacity, which has forced us into costly restructuring measures.”

“Our back-to-profit program, launched in the middle of last year, is progressing as planned, and we are on track to reach profitability by the second half of this year. In light of current market dynamics, we have taken a fundamental look at how we run the consumer business, and we have decided to completely outsource supply and production of mobile phones.”

“We signed a strategic partnership with Flextronics that allows us to rapidly achieve better economies of scale and increased flexibility. These extra measures cause further provisions that we see as an investment that will give us a very quick payback. Overall, we will reach annual cost savings of SEK 15b. a year from 2002. As this also creates a sound basis for long-term profitability, it also confirms our commitment to remain a top player in mobile phones.”

### **Orders in Mobile Systems up more than 60% in fourth quarter**

By the end of the fourth quarter, Ericsson had won 22 of 33 publicly announced WCDMA agreements and a majority of the GPRS contracts. Operators in North America and Latin America chose the GSM/GPRS track towards 3G and Mobile Internet. We are also benefiting as the world's number one in GSM and 3G. As operators intensify investments in GSM and 3G, we grew our mobile systems order intake in the fourth quarter by more than 60%. We have increased R&D, supply and implementation capacity for 3G during the fourth quarter; a trend that will continue during 2001.

### **ENGINE wins 35% market share**

In the fourth quarter 2000, Ericsson continued to gain a strong foothold in the market for converting telecom networks from circuit switched narrow-band to packet-switched broadband technologies supporting high-speed data and Internet. We won a 35% market share in fierce competition with traditional datacom suppliers. The market is driven by leading telecom operators, and ENGINE's success builds on our strong relationships with these operators, as well as our long standing experience and research in ATM and IP.

### **Mobile phones maintain over 10% market share**

During the quarter, Ericsson shipped 11.8 million phones. Overall, we sold 43.3 million phones, an increase of 38% and a share of over 10% in an estimated world market of around 405 - 415 million in 2000. The back-to-profit program is on target to lead the division to profits in the second half of 2001. According to our plan, we are transferring the mobile phone production from our factories in Kumla/Sweden and Lynchburg/Virginia to low-cost manufacturing units. We have phased out a number of products to concentrate our

product portfolio. Our partnership with Arima/Taiwan to develop and manufacture entry-level phones for GSM is on schedule, and this week, we signed another agreement with the Taiwanese manufacturer GVC who will handle development and production of phones according to our specifications. On top of this, we are now entering a strategic partnership with Flextronics for complete outsourcing of mobile phones production. Ericsson will focus on technology, design, branding, marketing and sales of phones. By the end of this year, the division Consumer Products will employ 7,000 people, compared to 18,000 last year.

**Our market view**

The strong growth in mobile communications continues. It is driven by the growing number of subscribers and the large operators' transition to multi-service broadband networks. In 2000, the number of mobile subscribers grew by almost 50% to between 700 and 715 million. For 2001, we expect the mobile phone market to reach between 500 and 540 million units, and the number of mobile subscribers to reach 920 - 950 million.

The growing demand for Mobile Internet is demonstrated by the success of SMS and WAP/i-mode. Over 13 billion SMS messages are sent every month, and the number of WAP phones increased from 3 to 26 million from August to December 2000. This year, GPRS - or 2.5G - will be in operation, and Ericsson will begin delivery of 3G systems. We strongly believe in Mobile Internet, and remain committed to drive the market and deliver end-to-end solutions.

**Outlook**

A more uncertain economic environment and a more cautious capital market contribute to more uncertainty also in our industry. However, we remain optimistic about our business.

We have won most of the contracts for the next generation networks. Therefore we are increasing investments to secure our fast start in 3G.

For the first quarter 2001 we see continued strong growth for systems and lower sales for phones. Overall we expect to increase sales by around 15% for comparable units. Income before tax is expected to be around zero, affected by operating losses in phones and increased 3G investments. Later in the year we will begin to benefit from the restructuring of our phones business.

For the full year 2001, we expect sales to grow between 15 and 20% and an operating margin in the range of 6-8%.

## FINANCIAL REVIEW

*\* All numbers in SEK if not stated otherwise*

### FOURTH QUARTER

#### ORDERS, SALES AND INCOME

Orders booked in the fourth quarter increased by 20%, with strong systems orders offsetting lower orders for mobile phones and Other operations. Adjusting for an exceptionally large order of SEK 4.9b. in Defense Systems in the fourth quarter of 1999, the increase was 30%. ENGINE and GPRS order bookings developed favorably. We increased sales by 11%.

Gross margins in our network operators business were stable, but overall gross margin declined due to lower margins for mobile phones, as price pressure continued, as expected. We shipped 11.8 million phones in the quarter to reach a total of 43.3 million for the year, confirming our position as the world's third largest vendor.

As presented in October, we have begun restructuring of the handset business in our "Back-to-Profits" program. As forecasted, we had 4.7b. of restructuring costs, including inventory write-downs for obsolescence. The new decision to outsource all our manufacturing of mobile phones resulted in an additional restructuring provision of 8b. in the fourth quarter, which includes the 2b. previously identified for the back-to-profits-program. Of the total restructuring amount, 12.7b., around 50% relate to inventory and supply, and around 20% relate to excess equipment when outsourcing, and around 30% represent personnel redundancy, and unabsorbed fixed costs in our production units.

Operating expenses increased in the quarter, following increased R&D efforts for 3G, as indicated above, and expenses related to restructuring in Consumer Products. Operating expenses were 35% of sales in the quarter, above our target of 30%.

Operational capital gains in the quarter other than Juniper Networks were 0.1b., somewhat lower than our outlook of 0.4b.

Income effects of changed currency exchange rates compared to the rates during last year were approximately +0.4b. Operating income in the quarter was 5.6b. Adjusted for capital gain of Juniper shares, non-operational items and additional restructuring provision in phones, the operating income was -1.5b.

Income before tax was 4.6b. Minority interests in income were higher than earlier in the year, due to good fourth quarter results in certain companies.

#### BALANCE SHEET AND CASH FLOW

We reduced inventory by 5.1b. in the quarter, of which 5.9b. in phones. Inventory for systems increased by 0.7b. Accounts receivable increased by 9.1b., driven by the larger sales particularly in December. We managed to reduce customer financing receivables by 2.9b. Investments in tangible assets were 3.8b.

Cash flow before financing activities in the quarter was 11.6b., which includes the favorable effect of sales of shares in Juniper Networks.

## FULL YEAR 2000

Orders booked increased by 31% and sales by 27% (33% and 29%, for comparable units), slightly above our outlook.

Orders and sales in our Network Operator segment developed well during the year with orders up 40% and sales up 29%. Strong demand for 2G infrastructure, GPRS and ENGINE were main drivers. The ENGINE solution for migration of circuit-switched networks to next-generation packet-switched technology is to a large extent utilizing earlier development in the broadband area, such as broadband ISDN and optical transmission systems.

In our mobile phones business, sales and gross margins were severely impacted by delivery problems from a key supplier, leading to delays and reductions in sales, lower prices and large inventory write-offs. In addition, we also decided to implement an aggressive restructuring program for the phone operations and incurred additional costs.

Operating expenses were 33% of sales, above our target of 30%, due to increased R&D investments and beginning ramp-up of capacity for 3G.

Overall, we achieved an adjusted operating margin of 6.1%, excluding a capital gain of 15.4b from sale of Juniper shares, additional restructuring provision in phones 8b. and non-operational items of 7.0b. This is in line with our guidance.

Income effects of changed currency exchange rates compared to the rates during last year were around +1.3b. For mobile phones, however, effects were negative around -3.4b. due to unfavorable exposure from purchases in Japanese Yen and US dollars combined with a large share of revenues in EUR.

Income before tax was 28.7 (16.4)b., up 75%. The tax rate year to date was as low as 27%, since a portion of the capital gains was non-taxable.

Earnings per share, fully diluted were SEK 0:28 (0:78) in the quarter and 2:65 (1:54) year to date. The dilutive effect of this year's employee stock option programs was around 0.2%. Earnings per share according to US GAAP were SEK 3:44 (1:92).

Inventory turnover for the year reached 5.2 (4.8), affected by inventory write-downs. Our long-term target is a level of more than 5.0. Receivables turnover for the year was 3.9 (3.7) turns, slightly below target of 4.0.

Customer financing is granted very selectively and preferably as bridge-financing until a permanent solution is found by our customers. During the year, we managed to reduce on-balance sheet risks by 20%, while off-balance sheet exposure increased only slightly.

Investments in tangible assets were 12.3b., of which 5.1b. in Sweden.

The equity ratio at year-end was 37.7 (35.2)%. We did not reach our target of 40% and we will continue our efforts to improve capital efficiency, in particular regarding inventory and receivables.

Cash flow before financing activities year to date was 6.4b, with the favorable effect of capital gains offsetting increases in inventory and receivables.

At year-end 2000 Ericsson had 105,129 employees world-wide, a net increase of 1,839 during the year, mainly a result of increased R&D efforts for 3G.

## DIVIDEND PROPOSAL

The Board of Directors will propose to the Annual General Meeting an unchanged dividend of SEK 0:50 per share.

## ANNUAL REPORT

The Annual Report will be distributed to shareholders and be available at our head office at Telefonplan, Stockholm, as of March 9, 2001.

## ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of shareholders will be held on Wednesday March 28, 2001 in Stockholm Globe Arena.

### Appendices:

- Segment review
- Market review
- Orders, sales and margins by segment by quarter
- Employees
- Restated segment data for new segment structure

Stockholm, January 26, 2001

Kurt Hellström  
President and CEO

As earlier communicated, the Board of Directors appointed Kurt Hellström also Chief Executive Officer effective as of January 1, 2001.

Uncertainties in the Future.

“Safe Harbor” Statement under the U.S. Private Securities Litigation Reform Act of 1995:

*Some statements in this interim report are forward looking and actual results may differ materially from those stated. In addition to the factors discussed, among other factors that may affect results are product demand, the effect of economic conditions, exchange-rate and interest-rate movements, the impact of competing products and their pricing, product development, commercialization and technological difficulties, political risks in the countries in which the Company has operations or sales, supply constraints, and the result of customer financing efforts.*

Date for next report: April 20, 2001

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## SEGMENT REVIEW

## Segment results fourth quarter 2000

Segment (SEK b.)	Orders	Order growth	Sales	Sales growth	Adjusted Operating income	Adjusted Operating margin	
Network Operators	60.2	47%	61.4	21%	9.4	15%	(17%)
Consumer Products	14.9	-5%	13.9	-17%	-10.3	-74%	(6%)
Enterprise Solutions	4.7	1%	5.8	8%	0.3	5%	(8%)
Other operations	3.8	-58%	4.8	-12%	-0.2	-5%	(0%)
Unallocated					-0.7		
Inter-segment sales	-4.2		-3.7				
<b>TOTAL</b>	<b>79.5</b>	<b>20%</b>	<b>82.1</b>	<b>11%</b>	<b>-1.5</b>	<b>-2%</b>	<b>(12%)</b>
Adjustments:							
Capital gain Juniper					15.4		
Non-operational items					-0.2		
Additional restructuring					-8.0		
Operating income					5.6		

**Network Operators**

Sales increased by 21% and now generate 75% of total sales. GSM systems showed the strongest sales growth and very strong order bookings. Wireline systems showed a good quarter based on ENGINE demand. Latin America achieved particularly strong sales, whereas Western Europe had a slow growth rate. Increased R&D spending, along with a changed sales mix of products and markets, caused the operating margin to drop from 17 to 15%.

**Consumer Products**

In the quarter we sold 11.8 million phones. As indicated in our outlook, pressure on prices resulted in reduced margins. The Back-to-Profits program is on its way to return the business into profits in the second half 2001.

**Enterprise Solutions**

Enterprise solutions are in the process of changing the distribution channel strategy to work with third party channels. As these efforts slowed down the business, sales growth and operating income were modest.

**Other operations and Unallocated**

Due to a large Defense Systems order in the fourth quarter last year, this year's order bookings appear low. This year, Energy Systems were divested from April 1, which has reduced sales this year. Our Cables business has done very well with strong demand for fiber optic cables. Microelectronics' sales has been somewhat hurt by the lower volumes for mobile phones. Operating income is negative due to unfavorable development in our joint venture with Hewlett-Packard. On a comparable basis, orders decreased by 10% and sales increased by 5%. Unallocated costs were slightly lower than in the fourth quarter last year.

## SEGMENT REPORT CONTINUED

## Segment results full year 2000

Segment (SEK b.)	Orders	Order growth	Sales	Sales growth	Adjusted Operating income	Adjusted Operating margin	Employees
Network Operators	212.4	40%	194.1	29%	33.1	17% (13%)	70,317
Consumer Products	57.0	20%	56.3	21%	-16.2	-29% (1%)	16,840
Enterprise Solutions	17.8	-1%	17.5	1%	0	0% (0%)	8,324
Other operations	18.6	-16%	19.0	14%	1.7	9% (2%)	8,520
Unallocated					-1.9		1,128
Inter-segment sales	-13.5		-13.4				
<b>TOTAL</b>	<b>292.3</b>	<b>31%</b>	<b>273.6</b>	<b>27%</b>	<b>16.7</b>	<b>6% (8%)</b>	<b>105,128</b>
Adjustments:							
Capital gain Juniper					15.4		
Non-operational items					7.0		
Additional restructuring					-8.0		
Operating income					<u>31.2</u>		

**Network Operators**

With order growth and sales stronger than the market, we improved our operating margin to 17 (13)%. Orders and sales were strong for all mobile standards, and good orders bookings were achieved for our ENGINE solution. Also Mini-link transmission equipment had a strong increase from last year. The operating income reflects an increased investment level in R&D and other preparations for rapid roll-out of 3G.

**Consumer Products**

We increased unit sales by 38% to 43.3 million units. Revenues grew 21%, to 56.3b., a result of lost sales due to component supply, unfavorable product mix and an over-supply situation in the end of the year, with strong price erosion. The full year loss at -16.2b. is in line with guidance after nine months and includes 4.7b. of restructuring charges.

**Enterprise Solutions**

The business consulting business grew substantially during the year and was increasingly focused on Internet applications. The traditional business with enterprise communications solutions of PABXs and data networks was reorganizing its distribution channels during the year, which slowed down the business development. Orders and sales were flat and the operating margin was slightly down.

**Other Operations and unallocated costs**

During the year we have divested our Energy systems business and real estate properties. These effects are reported among non-operational capital gains. Among remaining business operations, Cables, Defense systems and Microelectronics all had very strong sales increases. Orders increased very well too, except for Defense systems, where a large ERIEYE order last year makes this year's bookings lower. Unallocated costs decreased more than 20% compared to last year. A pension refund of 1.1b. is included in non-operational items.

**New segment reporting for 2001**

For enhanced comparability with peer companies in our industry as well as competitive reasons, we will in 2001 report orders, sales and operating income according to our primary areas of business - Systems, Phones and Other operations. Within the Systems business, orders and sales for mobile systems and multi-service networks will be separately disclosed, although there is a high degree of integration within systems for R&D, customers, implementation and support services. Attached is a restated segment report for year 2000 by quarter in the new format.



## MARKET REVIEW

## External Sales by Market Area, fourth quarter 2000

Market Area	Network Operators	Consumer Products	Enterprise Solutions	Other Operations	Total	% of Total	Increase
Western Europe	19.6	5.4	2.9	2.2	30.1	37%	2%
CEEMA *)	10.1	1.1	0.4	0.2	11.9	14%	16%
North America	4.6	2.3	0.1	0.4	7.5	9%	-1%
Latin America	12.2	2.4	0.4	0.2	15.2	19%	34%
Asia Pacific	14.0	2.5	0.4	0.5	17.5	21%	15%
Total**)	60.5	13.8	4.3	3.4	82.1	100%	11%

## External Sales by Market Area, full year 2000

Market Area	Network Operators	Consumer Products	Enterprise Solutions	Other Operations	Total	% of Total	Increase
Western Europe	60.7	23.3	8.4	7.8	100.2	36%	17%
CEEMA *)	29.6	6.2	0.9	1.0	37.7	14%	27%
North America	23.4	9.9	0.4	1.5	35.2	13%	40%
Latin America	35.9	6.1	1.3	0.9	44.1	16%	46%
Asia Pacific	43.4	10.5	1.2	1.2	56.3	21%	25%
Total **)	193.0	56.0	12.1	12.4	273.6	100%	27%

\*) Central and Eastern Europe, Middle East and Africa

\*\*) Excluding inter-segment sales

Sales increases slowed down the fourth quarter, in particular in Western Europe, North America and Japan.

In Europe, operators have begun to cut subsidies of mobile phones, reducing the growth of new subscribers and slowing down replacement. As the penetration is now around 70% in many countries, the main objective for operators is to keep the current customer base. A number of firm contracts for 3G were signed in the fourth quarter, underlining our leading position. ENGINE continues to dominate the "Circuit-to-Packet" market. A major breakthrough order for IP backbone network including Juniper routers was won with Telia International, evidence of the strong partnership with Juniper, which has now lead to a joint venture agreement. Our joint venture with Microsoft reported the first contract for its first product, Outlook via Mobile.

Our North American operations increased sales for the year strongly. Operators have decided to go for GSM for their 2.5G networks as a way into 3G, which is favorable for us as the market leader in GSM and GPRS. GPRS trials are ongoing. CDMA sales started to pick up momentum and a strategic order for cable modems was won. As part of the back-to-profits program in our Consumer Business, around 2000 employees will be transferred to SCI in early 2001, following the outsourcing of manufacturing operations in Lynchburg, USA. In the end of the year, Ericsson acquired Microwave Power Devices, a leading developer of multi-carrier power amplifier technology, an important competence for development of 3G systems.

In Latin America, sales were very strong in Mexico and Argentina in particular, plus Brazil. Also in Latin America, operators will go the GSM/GPRS-way to 3G.

In Asia Pacific, the two major markets China and Japan showed slightly different developments. China had moderate sales increases, but strong orders booked. Sales in Japan were very strong but orders increased slower. It seems as if the market in China is beginning to pick up momentum after a comparatively low investment level in 2000.

**Top 10 Markets in Orders and Sales, Year 2000**

Market	Share of Total Orders	Share of Total Sales
USA	12%	12%
China	8%	7%
United Kingdom	7%	8%
Mexico	6%	6%
Italy	6%	6%
Brazil	6%	6%
Spain	5%	5%
Japan	5%	5%
Turkey	4%	4%
Sweden	3%	3%

## CONSOLIDATED INCOME STATEMENT

SEK millions	Oct-Dec 2000	Oct-Dec 1999	Jan-Dec 2000	Jan-Dec 1999
Net sales	82,109	73,755	273,569	215,403
Cost of sales	-63,113	-42,385	-180,392	-125,881
<b>Gross margin</b>	18,996	31,370	93,177	89,522
Gross margin as percentage of net sales	23.1%	42.5%	34.1%	41.6%
Research and development and other technical expenses	-13,458	-9,873	-41,921	-33,123
Selling expenses	-11,340	-10,387	-34,706	-30,005
Administrative expenses	-4,254	-3,487	-13,311	-11,278
<b>Operating expenses</b>	-29,052	-23,747	-89,938	-74,406
Operating expenses as percentage of net sales	35.4%	32.2%	32.9%	34.5%
Other operating revenues	15,586	1,066	27,652	2,224
Share in earnings of associated companies	117	-2	274	250
<b>Operating income</b>	5,647	8,687	31,165	17,590
Operating margin as percentage of net sales	6.9%	11.8%	11.4%	8.2%
Financial income	720	562	2,929	2,273
Financial expenses	-1,314	-457	-4,449	-2,971
<b>Income after financial items</b>	5,053	8,792	29,645	16,892
Minority interest in income before taxes	-460	-313	-953	-506
<b>Income before taxes <sup>*)</sup></b>	4,593	8,479	28,692	16,386
<b>Taxes</b>	-2,343	-2,156	-7,674	-4,256
<b>Net income <sup>*)</sup></b>	2,250	6,323	21,018	12,130
<sup>*) Of which capital gains/losses, net of minority</sup>	15,221	728	25,229	1,843
Operational gains/losses	15,452	769	19,296	2,171
Non-operational gains/losses	-231	-41	5,933	-328
<b>Operating margin adjustments for items affecting comparability:</b>				
Capital gain Juniper Networks	15,383		15,383	
Non-operational gains/losses	-231	-41	5,933	-328
Pension refund			1,100	
Additional restructuring provision in Consumer Products	-8,000		-8,000	
<b>Total adjustments</b>	7,152	-41	14,416	-328
Adjusted operating margin	-1,505	8,728	16,749	17,918
Adjusted operating margin as percentage of net sales	-1.8%	11.8%	6.1%	8.3%

The average rate for conversion from US dollars to SEK was 9.1716 for income statement items

**CONSOLIDATED BALANCE SHEET**

SEK millions	Dec 31 2000	Dec 31 1999
<b>Fixed assets</b>		
Intangible assets	12,833	10,548
Tangible assets	22,378	24,719
Financial assets		
Equity in associated companies	2,790	2,712
Other investments	2,484	1,751
Long-term customer financing	6,364	6,657
Other long-term receivables	3,657	4,972
Total fixed assets	50,506	51,359
<b>Current assets</b>		
Inventories	43,933	25,701
Receivables		
Accounts receivable - trade and short-term customer financing	76,240	65,333
Other receivables	44,029	31,227
Short-term cash investments, cash and bank	35,606	29,008
Total current assets	199,808	151,269
<b>Total assets</b>	<b><u>250,314</u></b>	<b><u>202,628</u></b>
<b>Stockholders' equity</b>	91,686	69,176
<b>Minority interest in consolidated subsidiaries</b>	2,764	2,182
<b>Convertible debentures</b>	4,347	5,453
<b>Interest bearing provisions and liabilities</b>	42,216	39,567
<b>Non-interest bearing provisions and liabilities</b>	109,301	86,250
<b>Total stockholders' equity, provisions and liabilities</b>	<b><u>250,314</u></b>	<b><u>202,628</u></b>

The closing rate for conversion from US dollars to SEK was 9.4990 for balance sheet items.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

SEK millions	Jan-Dec 2000	Jan-Dec 1999
Cash flow from operating activities	-10,848	12,925
Investments	<u>17,244</u>	<u>-15,364</u>
Cash flow before financing activities	6,396	-2,439
Financing	-236	13,550
Effect of exchange rate changes on cash	<u>438</u>	<u>-336</u>
<b>Net change in cash</b>	<u><u>6,598</u></u>	<u><u>10,775</u></u>

**TREND OF OPERATIONS IN BRIEF**

SEK millions	Jan-Dec 2000	Jan-Dec 1999	Changes in %
Net sales	273,569	215,403	27%
Adjusted operating margin as percentage of net sales	6.1%	8.3%	
Income before taxes	28,692	16,386	100%
Net income	21,018	12,130	106%
Average number of shares (millions)	7,869	7,817	
Average number of shares, fully diluted (millions)	8,004	7,987	
Earnings per share (SEK)	2.70	1.58	71%
Earnings per share, fully diluted (SEK)	2.65	1.54	72%
Earnings per share, fully diluted, in accordance with U.S. GAAP (SEK)	3.44	1.92	79%
Equity ratio	37.7%	35.2%	
Additions to tangible fixed assets	12,294	9,085	35%
Total depreciation on tangible and intangible assets	9,957	6,532	52%
- Of which goodwill	761	684	11%
Number of employees, end of period	105,129	103,290	2%
Orders booked	292,344	223,828	31%
Capital turnover ratio	2.1	2.1	

Calculation of earnings per share:

Net income	21,018	12,130
Interest on convertible debentures, net after tax	<u>207</u>	<u>185</u>
Adjusted net income	21,225	12,315
Average number of shares, fully diluted (millions)	·/· 8,004	·/· 7,987
Earnings per share, fully diluted (SEK)	= 2.65	= 1.54

**NET SALES BY SEGMENT BY QUARTER**  
(SEK m.)

**Year-to-date**

	2000				1999			
	0003A	0006A	0009A	0012A	9903A	9906A	9909A	9912A
Network Operators & Service Providers	38,718	84,819	132,693	194,074	28,505	64,314	99,208	149,943
Consumer Products	14,794	28,145	42,483	56,343	9,696	20,064	29,797	46,444
Enterprise Solutions	3,858	7,864	11,635	17,479	3,446	7,841	11,949	17,345
Other operations	5,343	9,935	14,269	19,027	3,312	7,301	11,326	16,750
Less : Intersegment sales	-3,628	-6,645	-9,620	-13,354	-3,388	-7,137	-10,632	-15,079
<b>Total</b>	<b>59,085</b>	<b>124,118</b>	<b>191,460</b>	<b>273,569</b>	<b>41,571</b>	<b>92,383</b>	<b>141,648</b>	<b>215,403</b>

	Change %			
	0003A	0006A	0009A	0012A
Network Operators & Service Providers	36%	32%	34%	29%
Consumer Products	53%	40%	43%	21%
Enterprise Solutions	12%	0%	-3%	1%
Other operations	61%	36%	26%	14%
Less : Intersegment sales	7%	-7%	-10%	-11%
<b>Total</b>	<b>42%</b>	<b>34%</b>	<b>35%</b>	<b>27%</b>

**Isolated quarters**

	2000				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Network Operators & Service Providers	38,718	46,101	47,874	61,381	28,505	35,809	34,894	50,735
Consumer Products	14,794	13,351	14,338	13,860	9,696	10,368	9,733	16,647
Enterprise Solutions	3,858	4,006	3,771	5,844	3,446	4,395	4,108	5,396
Other operations	5,343	4,591	4,334	4,758	3,312	3,989	4,025	5,424
Less : Intersegment sales	-3,628	-3,016	-2,975	-3,734	-3,388	-3,749	-3,495	-4,447
<b>Total</b>	<b>59,085</b>	<b>65,033</b>	<b>67,342</b>	<b>82,109</b>	<b>41,571</b>	<b>50,812</b>	<b>49,265</b>	<b>73,755</b>

	Change %			
	Q1	Q2	Q3	Q4
Network Operators & Service Providers	36%	29%	37%	21%
Consumer Products	53%	29%	47%	-17%
Enterprise Solutions	12%	-9%	-8%	8%
Other operations	61%	15%	8%	-12%
Less : Intersegment sales	7%	-20%	-15%	-16%
<b>Total</b>	<b>42%</b>	<b>28%</b>	<b>37%</b>	<b>11%</b>

**ORDERS BOOKED BY SEGMENT BY QUARTER**

(SEK m.)

**Year-to-date**

	2000				1999			
	0003A	0006A	0009A	0012A	9903A	9906A	9909A	9912A
Network Operators & Service Providers	57,465	102,735	152,262	212,440	32,672	69,879	110,916	151,762
Consumer Products	14,562	27,988	42,123	57,001	10,116	20,196	31,948	47,552
Enterprise Solutions	5,486	9,428	13,097	17,834	4,259	8,835	13,290	17,978
Other operations	5,854	10,770	14,724	18,573	3,795	8,134	12,769	22,021
Less: Intersegment sales	-3,893	-6,726	-9,340	-13,504	-3,381	-7,371	-11,111	-15,485
<b>Total</b>	<b>79,474</b>	<b>144,195</b>	<b>212,866</b>	<b>292,344</b>	<b>47,461</b>	<b>99,673</b>	<b>157,812</b>	<b>223,828</b>

**Change %**

	0003A	0006A	0009A	0012A
Network Operators & Service Providers	76%	47%	37%	40%
Consumer Products	44%	39%	32%	20%
Enterprise Solutions	29%	7%	-1%	-1%
Other operations	54%	32%	15%	-16%
Less: Intersegment sales	15%	-9%	-16%	-13%
<b>Total</b>	<b>67%</b>	<b>45%</b>	<b>35%</b>	<b>31%</b>

**Isolated quarters**

	2000				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Network Operators & Service Providers	57,465	45,270	49,527	60,178	32,672	37,207	41,037	40,846
Consumer Products	14,562	13,426	14,135	14,878	10,116	10,080	11,752	15,604
Enterprise Solutions	5,486	3,942	3,669	4,737	4,259	4,576	4,455	4,688
Other operations	5,854	4,915	3,954	3,849	3,795	4,339	4,635	9,252
Less: Intersegment sales	-3,893	-2,832	-2,614	-4,164	-3,381	-3,990	-3,740	-4,374
<b>Total</b>	<b>79,474</b>	<b>64,721</b>	<b>68,671</b>	<b>79,478</b>	<b>47,461</b>	<b>52,212</b>	<b>58,139</b>	<b>66,016</b>

**Change %**

	Q1	Q2	Q3	Q4
Network Operators & Service Providers	76%	22%	21%	47%
Consumer Products	44%	33%	20%	-5%
Enterprise Solutions	29%	-14%	-18%	1%
Other operations	54%	13%	-15%	-58%
Less: Intersegment sales	15%	-29%	-30%	-5%
<b>Total</b>	<b>67%</b>	<b>24%</b>	<b>18%</b>	<b>20%</b>

# NET SALES BY MARKET AREA BY QUARTER

(SEK m.)

Year-to-date

	2000				1999			
	0003A	0006A	0009A	0012A	9903A	9906A	9909A	9912A
Western Europe*	23,578	47,011	70,090	100,234	17,350	36,374	55,890	85,329
Central- and Eastern Europe, Middle East & Africa	7,323	16,799	25,850	37,701	4,779	12,621	19,528	29,736
North America	8,549	19,263	27,704	35,193	4,179	11,387	17,610	25,175
Latin America	7,781	17,334	28,953	44,118	4,920	12,186	18,916	30,263
Asia Pacific	11,854	23,711	38,863	56,323	10,343	19,815	29,704	44,900
<b>Total</b>	<b>59,085</b>	<b>124,118</b>	<b>191,460</b>	<b>273,569</b>	<b>41,571</b>	<b>92,383</b>	<b>141,648</b>	<b>215,403</b>

\* Of which Sweden

\* Of which EU

2,380	4,371	6,704	8,732	1,685	3,868	5,461	7,551
22,052	44,031	65,754	94,293	16,261	34,299	52,411	80,345

	Change %			
	0003A	0006A	0009A	0012A
Western Europe*	36%	29%	25%	17%
Central- and Eastern Europe, Middle East & Africa	53%	33%	32%	27%
North America	105%	69%	57%	40%
Latin America	58%	42%	53%	46%
Asia Pacific	15%	20%	31%	25%
<b>Total</b>	<b>42%</b>	<b>34%</b>	<b>35%</b>	<b>27%</b>

\* Of which Sweden

\* Of which EU

41%	13%	23%	16%
36%	28%	25%	17%

## Isolated quarters

	2000				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Western Europe*	23,578	23,433	23,079	30,144	17,350	19,024	19,516	29,439
Central- and Eastern Europe, Middle East & Africa	7,323	9,476	9,051	11,851	4,779	7,842	6,907	10,208
North America	8,549	10,714	8,441	7,489	4,179	7,208	6,223	7,565
Latin America	7,781	9,553	11,619	15,165	4,920	7,266	6,730	11,347
Asia Pacific	11,854	11,857	15,152	17,460	10,343	9,472	9,889	15,196
<b>Total</b>	<b>59,085</b>	<b>65,033</b>	<b>67,342</b>	<b>82,109</b>	<b>41,571</b>	<b>50,812</b>	<b>49,265</b>	<b>73,755</b>

\* Of which Sweden

\* Of which EU

2,380	1,991	2,333	2,028	1,685	2,183	1,593	2,090
22,052	21,980	21,723	28,539	16,261	18,038	18,112	27,934

	Change %			
	Q1	Q2	Q3	Q4
Western Europe*	36%	23%	18%	2%
Central- and Eastern Europe, Middle East & Africa	53%	21%	31%	16%
North America	105%	49%	36%	-1%
Latin America	58%	31%	73%	34%
Asia Pacific	15%	25%	53%	15%
<b>Total</b>	<b>42%</b>	<b>28%</b>	<b>37%</b>	<b>11%</b>

\* Of which Sweden

\* Of which EU

41%	-9%	46%	-3%
36%	22%	20%	2%



**ORDERS BOOKED BY MARKET AREA BY QUARTER**

(SEK m.)

**Year-to-date**

	2000				1999			
	0003A	0006A	0009A	0012A	9903A	9906A	9909A	9912A
Western Europe*	25,048	50,870	71,807	105,684	19,096	40,380	63,882	95,707
Central- and Eastern Europe, Middle East & Africa	17,388	24,503	32,104	40,972	9,197	14,764	25,786	30,626
North America	9,148	19,082	27,326	37,977	6,024	12,523	19,622	27,468
Latin America	9,695	19,312	33,053	44,959	3,432	11,032	17,816	27,797
Asia Pacific	18,195	30,428	48,576	62,752	9,712	20,974	30,706	42,230
<b>Total</b>	<b>79,474</b>	<b>144,195</b>	<b>212,866</b>	<b>292,344</b>	<b>47,461</b>	<b>99,673</b>	<b>157,812</b>	<b>223,828</b>

\* Of which Sweden

\* Of which EU

2,924	6,010	7,983	9,876	1,565	3,517	5,248	7,182
23,261	47,523	67,194	99,951	17,826	37,990	60,050	90,562

**Change %**

	0003A	0006A	0009A	0012A
Western Europe*	31%	26%	12%	10%
Central- and Eastern Europe, Middle East & Africa	89%	66%	25%	34%
North America	52%	52%	39%	38%
Latin America	182%	75%	86%	62%
Asia Pacific	87%	45%	58%	49%
<b>Total</b>	<b>67%</b>	<b>45%</b>	<b>35%</b>	<b>31%</b>

\* Of which Sweden

\* Of which EU

87%	71%	52%	38%
30%	25%	12%	10%

**Isolated quarters**

	2000				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Western Europe*	25,048	25,822	20,937	33,877	19,096	21,284	23,502	31,825
Central- and Eastern Europe, Middle East & Africa	17,388	7,115	7,601	8,868	9,197	5,567	11,022	4,840
North America	9,148	9,934	8,244	10,651	6,024	6,499	7,099	7,846
Latin America	9,695	9,617	13,741	11,906	3,432	7,600	6,784	9,981
Asia Pacific	18,195	12,233	18,148	14,176	9,712	11,262	9,732	11,524
<b>Total</b>	<b>79,474</b>	<b>64,721</b>	<b>68,671</b>	<b>79,478</b>	<b>47,461</b>	<b>52,212</b>	<b>58,139</b>	<b>66,016</b>

\* Of which Sweden

\* Of which EU

2,924	3,086	1,972	1,893	1,565	1,952	1,731	1,934
23,261	24,262	19,671	32,757	17,826	20,164	22,060	30,512

**Change %**

	Q1	Q2	Q3	Q4
Western Europe*	31%	21%	-11%	6%
Central- and Eastern Europe, Middle East & Africa	89%	28%	-31%	83%
North America	52%	53%	16%	36%
Latin America	182%	27%	103%	19%
Asia Pacific	87%	9%	86%	23%
<b>Total</b>	<b>67%</b>	<b>24%</b>	<b>18%</b>	<b>20%</b>

\* Of which Sweden

\* Of which EU

87%	58%	14%	-2%
30%	20%	-11%	7%

## ADJUSTED OPERATING INCOME AND OPERATING MARGIN PER SEGMENT PER QUARTER

(SEK m.)

### Year-to-date

	2000				1999			
	0003A	0006A	0009A	0012A	9903A	9906A	9909A	9912A
Network Operators & Service Providers	5,760	15,581	23,688	33,072	2,108	5,758	10,919	19,637
Consumer Products	457	-1,829	-5,932	-16,195	-23	-56	-675	253
Enterprise Solutions	29	-21	-256	22	-222	-216	-382	64
Other operations	543	1,060	1,925	1,708	221	629	426	403
Unallocated *	-414	-1,257	-1,171	-1,858	-205	-666	-1,098	-2,439
<b>Total</b>	<b>6,375</b>	<b>13,534</b>	<b>18,254</b>	<b>16,749</b>	<b>1,879</b>	<b>5,449</b>	<b>9,190</b>	<b>17,918</b>
Adjustments								
Non-operational items	0	5,838	7,264	7,033	-93	-287	-287	-328
Additional restructuring	0	0	0	-8,000	0	0	0	0
Capital gain Juniper Networks	0	0	0	15,383	0	0	0	0

### As percentage of Net Sales

	2000				1999			
	0003A	0006A	0009A	0012A	9903A	9906A	9909A	9912A
Network Operators & Service Providers	15%	18%	18%	17%	7%	9%	11%	13%
Consumer Products	3%	-6%	-14%	-29%	0%	0%	-2%	1%
Enterprise Solutions	1%	0%	-2%	0%	-6%	-3%	-3%	0%
Other operations	10%	11%	13%	9%	7%	9%	4%	2%
<b>Total</b>	<b>11%</b>	<b>11%</b>	<b>10%</b>	<b>6%</b>	<b>5%</b>	<b>6%</b>	<b>6%</b>	<b>8%</b>

### Isolated quarters

	2000				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Network Operators & Service Providers	5,760	9,821	8,107	9,384	2,108	3,650	5,161	8,718
Consumer Products	457	-2,286	-4,103	-10,263	-23	-33	-619	928
Enterprise Solutions	29	-50	-235	278	-222	6	-166	446
Other operations	543	517	865	-217	221	408	-203	-23
Unallocated *	-414	-843	86	-687	-205	-461	-432	-1,341
<b>Total</b>	<b>6,375</b>	<b>7,159</b>	<b>4,720</b>	<b>-1,505</b>	<b>1,879</b>	<b>3,570</b>	<b>3,741</b>	<b>8,728</b>
Adjustments								
Non-operational items	0	5,838	1,426	-231	-93	-194	0	-41
Additional restructuring	0	0	0	-8,000	0	0	0	0
Capital gain Juniper Networks	0	0	0	15,383	0	0	0	0

### As percentage of Net Sales

	2000				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Network Operators & Service Providers	15%	21%	17%	15%	7%	10%	15%	17%
Consumer Products	3%	-17%	-29%	-74%	0%	0%	-6%	6%
Enterprise Solutions	1%	-1%	-6%	5%	-6%	0%	-4%	8%
Other operations	10%	11%	20%	-5%	7%	10%	-5%	0%
<b>Total</b>	<b>11%</b>	<b>11%</b>	<b>7%</b>	<b>-2%</b>	<b>5%</b>	<b>7%</b>	<b>8%</b>	<b>12%</b>

\* "Unallocated" consists mainly of costs for corporate staffs, certain goodwill amortization and non-operational gains and losses

## NUMBER OF EMPLOYEES PER SEGMENT PER QUARTER

	2000				1999			
	0003A	0006A	0009A	0012A	9903A	9906A	9909A	9912A
Network Operators & Service Providers	63,616	65,005	66,973	70,317	65,530	65,909	65,359	64,695
Consumer Products	17,290	17,710	18,137	16,840	14,116	14,053	14,970	16,446
Enterprise Solutions	9,130	8,687	8,739	8,324	9,856	10,329	10,262	9,615
Other operations	11,257	8,839	8,461	8,520	11,046	11,278	11,474	11,525
Unallocated	1,030	1,076	1,084	1,128	669	809	712	1,009
<b>Total</b>	<b>102,323</b>	<b>101,317</b>	<b>103,394</b>	<b>105,129</b>	<b>101,217</b>	<b>102,378</b>	<b>102,777</b>	<b>103,290</b>

	Change %			
	Q1	Q2	Q3	Q4
Network Operators & Service Providers	-3%	-1%	2%	9%
Consumer Products	22%	26%	21%	2%
Enterprise Solutions	-7%	-16%	-15%	-13%
Other operations	2%	-22%	-26%	-26%
Unallocated	54%	33%	52%	12%
<b>Total</b>	<b>1%</b>	<b>-1%</b>	<b>1%</b>	<b>2%</b>

## CAPITAL GAINS/LOSSES SPECIFICATION

SEK b.

OPERATIONAL	Q1	Q2	Q3	Q4	YTD
<b>Network Operators and Service Providers</b>					
Saraïde	0,7			0,1	
Across Wireless		1,0			
AU-system		0,2	0,1		
iD2		0,3			
Juniper				15,4	
	0,7	1,5	0,1	15,5	17,8
<b>Consumer Products</b>					
Saraïde	0,3			0,1	
Across Wireless		0,5			
	0,3	0,5	0	0,1	0,9
<b>Enterprise Solutions</b>					
Information Highway	0,1				0,1
<b>Other Operations</b>					
Other	0,3	0,1	0,2	-0,1	0,5
<b>Total</b>	<b>1,4</b>	<b>2,1</b>	<b>0,3</b>	<b>15,5</b>	<b>19,3</b>
<b>NON-OPERATIONAL</b>					
Energy Systems		4,5			
Real estate		0,2	1,5	-0,2	
Other				-0,1	
<b>Total</b>	<b>0</b>	<b>4,7</b>	<b>1,5</b>	<b>-0,3</b>	<b>5,9</b>
<b>ERICSSON G/L NET OF MINORITY</b>					<b>25,2</b>

**SEGMENT ORDERS BOOKED BY QUARTER**

(SEK m.)

**Isolated quarters****2000**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total YTD</b>
Systems	57,944	45,559	49,706	59,891	213,100
<i>of which Mobile System</i>	48,471	37,286	39,981	49,871	175,609
<i>Multi Service Networks</i>	9,473	8,273	9,725	10,020	37,491
Phones	14,562	13,426	14,135	14,878	57,001
Other operations	11,266	8,725	7,674	8,086	35,751
Less : Intersegment sales	-4,298	-2,989	-2,844	-3,377	-13,508
<b>Total</b>	<b>79,474</b>	<b>64,721</b>	<b>68,671</b>	<b>79,478</b>	<b>292,344</b>

**SEGMENT SALES BY QUARTER**

(SEK m.)

**Isolated quarters****2000**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total YTD</b>
Systems	38,910	46,433	48,087	61,253	194,683
<i>of which Mobile System</i>	32,481	37,858	38,722	49,022	158,083
<i>Multi Service Networks</i>	6,429	8,575	9,365	12,231	36,600
Phones	14,794	13,351	14,338	13,860	56,343
Other operations	9,297	8,504	8,087	10,039	35,927
Less : Intersegment sales	-3,916	-3,255	-3,170	-3,043	-13,384
<b>Total</b>	<b>59,085</b>	<b>65,033</b>	<b>67,342</b>	<b>82,109</b>	<b>273,569</b>

**SEGMENT ADJUSTED OPERATING INCOME BY QUARTER**

(SEK m.)

**Isolated quarters****2000**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total YTD</b>
Systems	5,753	9,812	8,242	9,416	33,223
Phones	457	-2,286	-4,103	-10,263	-16,195
Other operations	578	480	492	29	1,579
Unallocated*	-413	-847	89	-687	-1,858
<b>Total</b>	<b>6,375</b>	<b>7,159</b>	<b>4,720</b>	<b>-1,505</b>	<b>16,749</b>

## Adjustments

Non-operational items	0	5,838	1,426	-231	7,033
Additional restructuring	0	0	0	-8,000	-8,000
Capital gain Juniper Networks	0	0	0	15,383	15,383

\* "Unallocated" consists mainly of costs for corporate staffs, certain goodwill amortization and non-operational gains and losses

**SEGMENT ADJUSTED OPERATING MARGIN BY QUARTER****Isolated quarters****2000**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Systems	15%	21%	17%	15%	17%
Phones	3%	-17%	-29%	-74%	-29%
Other operations	6%	-6%	6%	0%	4%
<b>Total</b>	<b>11%</b>	<b>11%</b>	<b>7%</b>	<b>-2%</b>	<b>6%</b>

**NUMBER OF EMPLOYEES PER SEGMENT PER QUARTER****2000**

	<b>0003A</b>	<b>0006A</b>	<b>0009A</b>	<b>0012A</b>
Systems	64,836	66,207	68,571	71,102
Phones	17,290	17,710	18,137	16,840
Other Operations	20,197	17,400	16,686	17,187
<b>Total</b>	<b>102,323</b>	<b>101,317</b>	<b>103,394</b>	<b>105,129</b>