

## Mobile systems sales up 44 percent and ahead of market growth

## Income before tax improved by more than 200 percent

- *Ericsson increases sales and orders by 35 percent, fuelled by continued strong growth in 2G mobile systems*
- *Continued leadership in 3G: Ericsson named as supplier by 15 of 20 operators. Ericsson gears up for fast roll-out*
- *New lead position in wireline multi-service equipment: 35 percent market share – ENGINE now selected by 28 operators*
- *Consumer Products reports losses. Aggressive “Back to Profit” program on track to restore profits*
- *Outlook for 2000: Sales growth around 25 percent, operating margin between 6-7 percent including losses in Consumer Products.\*)*

\*) This outlook is excluding all non-operational items but including operational capital gains. Operational capital gains of the same magnitude as in the third quarter are expected for the fourth quarter.

SEK b.	Third quarter			Nine months		
	2000	1999	Change	2000	1999	Change
Orders	68.7	58.1	18%	212.9	157.8	35%
Sales	67.3	49.3	37%	191.5	141.6	35%
Income before tax (IBT)	5.5	3.6	50%	24.1	7.9	205%
IBT adjusted **)	4.1	3.6	11%	16.8	8.2	105%
EPS (SEK)	0.55	0.33	67%	2.37	0.77	208%
EPS adjusted (SEK) **)	0.37	0.33	12%	1.50	0.75	100%
EPS US GAAP (SEK)	0.49	0.40	23%	2.29	0.96	139%
Cash flow before financing activities	-6.2	6.7		-5.2	-12.0	

\*\*) excl. non-operational capital gains and the second quarter pension refund

## SUMMARY

*Ericsson reports income before taxes of SEK 24.1b. for the nine months period, an increase of more than 200 percent. Adjusted for non-operational items, income before tax more than doubled to SEK 16.8 (8.2)b.*

*In the third quarter, income before tax was SEK 5.5b., an improvement of 50 percent compared with the third quarter 1999. Adjusted income before tax was SEK 4.1 (3.6)b., which is in line with Ericsson's outlook for the quarter. Both the third quarters 1999 and 2000 include operational capital gains of SEK 0.4b.*

*Network Operators increased sales by 34 percent. The Consumer Product segment showed sales up 43 percent. Overall, Ericsson increased sales in the first nine months by 35 percent to SEK 191.5b., and by 37 percent to SEK 67.3b. in the third quarter. Orders also increased by 35 percent year-to-date, driven by the growth in demand for Ericsson's mobile infrastructure and mobile phones.*

*"Once again we have proven our ability to lead the market and generate strong results in mobile systems, where we report a stronger than the market sales increase of 44 percent. We improved the operating margin in the Network Operator segment from 11 to 18 percent. In our Consumer Products segment, we are now aggressively implementing our action plan to restore profits", said Kurt Hellström, President of Ericsson.*

*The "Back to Profit" program, announced for the Consumer Product segment in July, is expected to reduce the cost base by almost SEK 10b. per year by 2002. Year-to-date the segment reports a loss of SEK 5.9b. Ericsson today announced it will transfer mobile phone production from Sweden and USA to low-cost units in Asia, Latin America and Eastern Europe.*

*Due to severe effects of component shortages from a key supplier, an expected increased price competition in the fourth quarter and restructuring charges, Ericsson expects a loss in Consumer Products for the full year of around SEK 16b. (details see page 7).*

*Ericsson has achieved strong growth in all market areas. Hellström said: "Ericsson expanded its strong position in 3G, which lays the ground for a continued positive development. Based on the success in 2G, Ericsson is now ramping up capacity to meet strong demand for 3G deliveries. In only three years, Ericsson expects the production volume of 3G equipment to reach the level, which was reached in 10 years for 2G equipment."*

*The largest market, North America, was again the fastest growing with a 57 percent sales increase, followed by Latin America with 53 percent sales growth. In China, orders were up 82 percent.*

*Ericsson adjusts its outlook for the full year 2000 and now expects a sales growth of around 25 percent, and an operating margin of 6-7 percent. Operating cash flow for 2000 will be negative. Ericsson however confirms that the long-term financial targets remain unchanged: Ericsson intends to grow faster than the market. This means growing sales by more than 20 percent annually, a return on capital employed of 20-25 percent, a positive cash flow before acquisitions, and an operating margin of at least 10 percent.*

## ORDERS AND SALES

For the nine months period, Ericsson increased orders by 35 percent. Main driver were mobile systems, with an increase of 45 percent, which is faster than the market. For the Network Operators segment in total, orders increased by 37 percent. The large number of 3G supply agreements will start to generate bookable orders over the next quarters, and are only marginally reflected in the segment growth for the period.

Sales increased by 35 percent in the nine months period, with sales up in mobile systems of 44 percent. Sales of mobile phones were up 43 percent. For the market areas, strong sales performance was experienced in North America (+57 percent) and Latin America (+53 percent). The other three market areas increased by at least 25 percent.

In the third quarter, Ericsson increased sales by 37 percent, with a 47 percent increase for Consumer Products and 37 percent for Network Operators. Within Network Operators, mobile systems grew by more than 40 percent. Total orders were up 18 percent against a comparatively high basis in last year's third quarter. Network Operators increased orders by 21 percent.

## OPERATING INCOME AND MARGINS

Ericsson tripled income before tax for the nine months period to SEK 24.1b. compared to SEK 7.9b. for 1999. Adjusted for non-operational items of SEK 7.3 (-0.3)b., income before tax more than doubled to SEK 16.8 (8.2)b.

Overall gross margin percentage decreased by 2 percentage points to 39 percent, due to higher share of mobile phones sales which had lower margins. Gross margins for systems were stable. Operating expenses increased by 20 percent, slower than the sales increase, and where 32 (36) percent of sales year-to-date and 30 percent in the third quarter. Spending in R&D – 15 percent of sales – focuses on 3G.

The net impact on income of changes in foreign currency exchange rates compared to last year was SEK 0.9b. mainly due to stronger Japanese Yen, US Dollar, and a weaker Euro. The effect for Mobile Phones, however, was negative in the amount of SEK 2.0b., a result of unfavorable exposure with a large share of revenues in Euro and large shares of costs in Japanese Yen and US Dollar.

In the third quarter, income before tax was SEK 5.5 (3.6)b. Adjusted for non-operational capital gains of SEK 1.4b. from sales of real estate property and the components distribution unit, income before tax was SEK 4.1 (3.6)b., which is in line with the company's outlook for the third quarter.

The operating margin excluding non-operational items for the third quarter was 7 percent of sales, compared to 11 percent for the first and second quarters. The reduction is attributable to the loss in Consumer Products.

Financial net decreased by SEK -0.5b. in the third quarter to SEK -0.9b. due to negative cash flow.

Net income for nine months more than tripled to SEK 18.8 (5.8)b. This is a result of the improved operating income and capital gains. The tax rate decreased to 22 percent (27 percent) because a large portion of the capital gains are non-taxable.

## BALANCE SHEET AND CASH FLOW

Net provisions for customer financing remained unchanged. Total assets increased 18 percent year-to-date, mainly due to higher inventories.

Investments in tangible assets year-to-date were SEK 8.5 (6.1)b., of which SEK 3.6 (2.7)b. in Sweden. In the third quarter Ericsson acquired parts of Hewlett Packard's minority share in Ericsson-Hewlett Packard for SEK 1.4b. to further integrate its software products with Ericsson's portfolio.

Cash flow in the quarter was negative by SEK 6.2b., bringing year-to-date cash flow to SEK -5.2b. The major driver for year-to-date cash flow is a strong increase in inventory of SEK 22b., and the loss in Consumer Products, which is partially offset by cash from divestitures.

In the third quarter, inventory continued to build up as expected, with another SEK 3b. each in Network Operators and Consumer Products. For Network Operators, the increases are related to volume build up for higher sales in the fourth quarter and effects on contract work in process due to certain missing components. For Consumer Products, the build up is related to manufacturing rather than finished goods and caused by component shortages and introduction of new products.

Ericsson will focus on improving the cash flow and strengthening the balance sheet. The equity ratio improved to 38.7 percent from 35.2 percent at year-end 1999.

## EARNINGS PER SHARE

Earnings per share (EPS) fully diluted for the nine months are SEK 2.37, an increase by 208 percent. EPS for the third quarter were SEK 0.55 compared to SEK 0.33 for the third quarter last year.

EPS fully diluted according to US GAAP were SEK 0.49 in the third quarter and SEK 2.29 year to date. Only SEK 0.3b. of the Swedish pension premium refund of SEK 1.1b. has been recognized for US GAAP purposes. Most of the gains from sale of real estate properties are not realized under US GAAP due to leaseback arrangements. Unfavorable exchange rates have had a negative impact through revaluation of forward currency contracts without firm commitments. These deductions offset the recurring net addition to US GAAP income from capitalization of R&D expenses for software.

## EMPLOYEES

The workforce increased by approximately 2000 employees in the third quarter to 103,394, due to increased hiring for R&D related to 3G as well as Internet applications and services.

## BUSINESS SEGMENTS

The positive development in orders and sales reflects the continued demand for mobile communications. The number of subscribers continues to grow, and so does usage per subscriber. More and more calls now include two mobile phones. All these factors generate traffic growth in the mobile networks.

### Segment results, nine months 2000

Segment	Orders SEK b.	Net Sales SEK b.	Sales growth	Operating Income SEK b.	Operating Margin	Employees
<b>Network Operators</b>	<b>152.3</b>	<b>132.7</b>	<b>34%</b>	<b>23.7</b>	<b>18 (11)%</b>	<b>66,973</b>
<b>Consumer Products</b>	<b>42.1</b>	<b>42.5</b>	<b>43%</b>	<b>-5.9</b>	<b>-14 (-2)%</b>	<b>18,137</b>
<b>Enterprise Solutions</b>	<b>13.1</b>	<b>11.6</b>	<b>-3%</b>	<b>-0.3</b>	<b>-2 (-3)%</b>	<b>8,739</b>
<b>Other Operations</b>	<b>14.7</b>	<b>14.3</b>	<b>26%</b>	<b>8.1*</b>	<b>57* (1)%</b>	<b>8,461</b>
<b>Unallocated</b>				<b>-0.1</b>		<b>1,084</b>
<b>Inter-segment sales</b>	<b>-9.3</b>	<b>-9.6</b>				
<b>TOTAL</b>	<b>212.9</b>	<b>191.5</b>	<b>35%</b>	<b>25.5**</b>	<b>13** (6)%</b>	<b>103,394</b>

\* Adjusted operating income excl. non-operational items of 7.3b. = 0.8b. or 6 percent

\*\* Adjusted operating income excl. non-operational items of 7.3b. = 18.3b. or 10 percent

### Segment results, third quarter 2000

Segment	Orders SEK b.	Net Sales SEK b.	Sales growth	Operating Income SEK b.	Operating Margin
<b>Network Operators</b>	<b>49.5</b>	<b>47.9</b>	<b>37%</b>	<b>8.1</b>	<b>17 (15)%</b>
<b>Consumer Products</b>	<b>14.1</b>	<b>14.3</b>	<b>47%</b>	<b>-4.1</b>	<b>-29 (-6)%</b>
<b>Enterprise Solutions</b>	<b>3.7</b>	<b>3.8</b>	<b>-8%</b>	<b>-0.2</b>	<b>-6 (-4)%</b>
<b>Other Operations</b>	<b>4.0</b>	<b>4.3</b>	<b>8%</b>	<b>2.3*</b>	<b>53* (-5)%</b>
<b>Unallocated</b>				<b>0.1</b>	
<b>Inter-segment sales</b>	<b>-2.6</b>	<b>-3.0</b>			
<b>TOTAL</b>	<b>68.7</b>	<b>67.3</b>	<b>37%</b>	<b>6.1**</b>	<b>9** (8)%</b>

\* Adjusted operating income excl. non-operational items of 1.4b. = 0.9b. or 20 percent

\*\* Adjusted operating income excl. non-operational items of 1.4b. = 4.7b. or 7 percent

*Network Operators and Service Providers* boosted orders by 37 percent in the nine months period. Sales increased by 34 percent to SEK 133b., with an improved operating margin from last year's 11 percent to now 18 percent. The improvement is a result of a competitive product portfolio, leverage of increased volume and favorable effects of last year's restructuring of Wireline Systems and positive net effects of currency exchange rate changes compared to the same period 1999.

In the third quarter, sales increased by 37 percent, driven by a plus 40 percent in mobile systems. Operating margins were stable at around 18 percent. Inventory increased by almost SEK 3b. due to component supply issues and increased sales.

Ericsson maintains a continued strong growth in 2G mobile systems, while at the same time the company's leadership in 3G is being reinforced. Overall, Ericsson is in a unique position of leadership in mobile systems; the company is growing faster than the market, and is larger than the nearest two competitors combined, in terms of net sales.

In 3G, Ericsson has to date been named in 15 of 20 announced 3G agreements in the world. New agreements during the quarter included TIM (Italy), Andala Hutchison (Italy), WIND (Italy), and Mobitel (Slovenia).

Ericsson expects that by the end of 2001 some 90 3G-licenses will be issued to operators around the world, beginning in Japan and followed by an intensive build-out in Europe. With Ericsson's leading position, the company needs to expand production and delivery capacity significantly. Against this background, Ericsson has intensified preparations for 3G rollout, which will begin later this year.

Firstly, a new production facility for 3G base stations was inaugurated in Gävle, Sweden, to secure production capacity. Secondly, Ericsson entered co-operation with construction companies Skanska and NCC to meet market demands for rapid building of turnkey 3G networks worldwide. Thirdly, Ericsson acquired Microwave Power Devices, a market leader in microwave linear high power amplifiers, which are vital elements in 3G systems. And fourth, mobile phone production sites in Sweden and USA will be converted into production facilities for mobile infrastructure equipment.

During the third quarter, Ericsson also strengthened its mobile Internet position in the GPRS area. The first systems are now in commercial operation. In total, Ericsson has 55 commercial GPRS orders.

Business unit Wireline Systems continues a positive development, following the restructuring completed earlier this year. Orders grew 19 percent, stimulated by ENGINE. With this solution, Ericsson has achieved a leading position in the multi-service network market, with more than one third of the emerging market for migrating circuit-switched to packet-switched networks.

ENGINE upgrades existing telecom networks for broadband Internet services, and is also used for building entirely new networks. To date, ENGINE has been selected by 28 operators, including recent agreements with Callino (Germany), Telefónica (Spain and Brazil), Telsur (Chile) and France Telecom (France), as well as a frame agreement with China Telecom Group to build a new generation fixed network in Guangdong. Further, Sonera (Finland) and China Mobile have selected Ericsson's packet data backbone network, for next generation Internet services.

In the Internet applications area, Ericsson continued to drive market development, both through internal development and strategic partnerships. Ericsson Microsoft Mobile Venture was launched in September. The venture will provide mobile e-mail solutions for operators, which will be commercially available before end of 2000. During the quarter, Ericsson also won several contracts for WAP, mobile stock trading, and mobile retailing, among others with VTV (Spain) and Cosmote (Greece).

*Consumer Products* increased sales by 43 percent to SEK 42.5b. in the first nine months. The segment reports a loss of SEK 5.9 (0.7)b. year-to-date, largely driven by component shortages caused by a major supplier. Ericsson has insurance potentially covering this type of damage. Insurance companies have been notified that Ericsson is preparing a claim.

In the third quarter, the operating loss increased by SEK 4.1b. Sales in the third quarter increased by 47 percent, and Ericsson sold 10.8 million units, an increase of 52 percent.

Ericsson expects a loss of around SEK 16b. for the full year in the segment. This outlook assumes a SEK 10.1b. loss in the fourth quarter.

In the following table, an estimated loss breakdown is provided.

	<b>9 months</b>	<b>Q4</b>	<b>Full year</b>
	<b>2000</b>	<b>2000</b>	<b>2000</b>
<b>Component supply</b>	<b>-3.5</b>	<b>-1.0</b>	<b>-4.5</b>
<b>Margins and volume*</b>	<b>-2.4</b>	<b>-4.4</b>	<b>-6.8</b>
<b>Restructuring</b>	<b>---</b>	<b>-4.7</b>	<b>-4.7</b>
<b>TOTAL</b>	<b>-5.9</b>	<b>-10.1</b>	<b>-16.0</b>

\*) Incl. unfavorable effects of foreign currency exchange rate changes compared to 1999 of SEK -2.0b. for nine months and SEK -3.5 for the full year

A weakening replacement market, particularly in Europe, and increased price competition is expected for the fourth quarter.

Against this background, Ericsson is aggressively implementing the four-point "Back-to-Profit" program announced in July. The aim of the program is to concentrate the product portfolio and get back to an operating income in the second half of 2001, and reduce the annual cost base by SEK 10b., reaching full effect by 2002. The following actions are being implemented:

1. Focus and concentration of product portfolio: Ericsson believes that the greatest market opportunities for mobile systems and terminals will be in the GSM and UMTS areas; the most widespread standards. These standards will be Ericsson's key areas for mobile Internet. CDMA and TDMA will be refocused to support Ericsson's mobile systems customers.
2. New entry-level approach: Ericsson signed a letter of intent with Arima, Taiwan, for development and manufacturing of entry-level mobile phones for GSM. Arima will be one partner handling development and manufacturing according to Ericsson's specifications. By this outsourcing program, Ericsson will get access to additional development resources and components, which will free up resources for development of mobile Internet.
3. Streamlining manufacturing: Ericsson is transferring high-volume production to low-cost manufacturing units. The mobile phone production sites in Sweden and USA will be reallocated to production of mobile infrastructure equipment, for which capacity is needed. Production of mobile phones will be transferred to Asia, Eastern Europe and Latin America.
4. Increased R&D for mobile Internet: As part of the concentration of the product portfolio, the R&D activities for mobile phones are allocated to GPRS and 3G-products.

Ericsson confirms the attractiveness of the mobile phone market to Ericsson as a business in its own right, as well as a competitive advantage for the mobile systems business.

*Enterprise Solutions* showed decrease in sales by 3 percent year-to-date with a loss of SEK 0.3b. During the period, Ericsson announced that the segment will be selling the direct sales channels in 20 countries and focus on indirect channels.

*Other operations* income of SEK 8.1b. includes SEK 6.2b. of non-operating capital gains regarding divestitures of Energy Systems, the component distribution unit and real estate properties. The remaining operating income of SEK 1.9 (0.1)b. reflects strong improvements in the Microelectronics, Cables and Defense systems businesses. Sales were up 26 percent over last year.

Ericsson Microelectronics continued its successful development with a strong sales performance. The unit is the leading supplier of Bluetooth radio modules for mobile phones, and one of the leading suppliers of RF power transistors for 3G systems.

During the period, Ericsson also launched the Ericsson Venture Partners initiative together with Industrivärden, Investor AB and Merrill Lynch. With a start capital of USD 300 million, this is the largest venture operation focused on mobile Internet in Europe and North America. In total, almost USD 500 million have been committed to venture operations in the mobile Internet area.

## MARKET AREAS

All market areas maintained a positive development in the mobile infrastructure area. North America and Latin America continued as the fastest growing market areas with sales increases of 57 percent and 53 percent respectively.

### External sales by market area and segment, nine months 2000

SEK b.	Network Operators	Consumer Products	Enterprise Solutions	Other	TOTAL	% of Total	Increase
Western Europe	41.1	17.9	5.5	5.6	70.1	37%	25%
CEEMA *)	19.5	5.0	0.5	0.8	25.8	14%	32%
North America	18.7	7.6	0.3	1.1	27.7	14%	57%
Latin America	23.7	3.7	0.9	0.7	29.0	15%	53%
Asia Pacific	29.5	8.0	0.7	0.7	38.9	20%	31%
TOTAL **)	132.5	42.2	7.9	8.9	191.5	100%	35%

\*) Central and Eastern Europe, Middle East and Africa \*\*)Internal sales between segments are excluded

### External sales by market area and segment, third quarter 2000

SEK b.	Network Operators	Consumer Products	Enterprise Solutions	Other	TOTAL	% of Total	Increase
Western Europe	13.8	5.7	1.8	1.8	23.1	34%	18%
CEEMA *)	7.3	1.4	0.2	0.1	9.0	13%	31%
North America	5.6	2.4	-	0.3	8.3	13%	36%
Latin America	9.7	1.5	0.3	0.2	11.7	17%	73%
Asia Pacific	11.4	3.3	0.2	0.3	15.2	23%	53%
TOTAL **)	47.8	14.3	2.5	2.7	67.3	100%	37%

\*) Central and Eastern Europe, Middle East and Africa \*\*)Internal sales between segments are excluded



### Western Europe

In its Market Area Western Europe, Ericsson increased sales by 25 percent in the first nine months of 2000, especially driven by UK, Spain and Italy.

In this market area a significant number of 3G licenses will be awarded. Up to now, Ericsson was named as 3G supplier by 15 of 20 operators, including TIM (Italy), Andala Hutchison (Italy) and WIND Italy. Ericsson's multi-service network solution was also successful in the quarter and was chosen by France Telecom (France), eircom (Ireland), EdisonTel (Italy) and Callino (Germany).

### Central and Eastern Europe, Middle East and Africa

The market area continued a positive development with a sales increase of 32 percent. Highest growing markets were Turkey and South Africa.

In 3G, Ericsson was mentioned as supplier by operator Mobitel (Slovenia).

### North America

Market area North America again showed a very strong sales growth of 57 percent, and the US affirmed its current position as Ericsson's largest and strongest growing market.

### Latin America

The area maintained a significant growth with a sales increase of 53 percent, and a remarkable growth in orders of 86 percent. Strongest trends were seen in Brazil, Argentina and Mexico. In Mexico, an agreement for a 3G TDMA/EDGE solution has been signed with Telcel.

### Asia Pacific

Market area Asia Pacific showed an increase in sales of 31 percent, lead by Japan.

Orders were up 58 percent, driven by China with a significant order growth of 82 percent.

Two major frame agreements for Guangdong province were signed with China Telecom Group Guangdong Corp and Guangdong Mobile Communications Co. Ltd. covering next generation fixed networks and expanded mobile networks. The total value is USD 550 million. Further, Ericsson and J-PHONE Communications Company Ltd. signed an agreement covering the commercial launch of J-PHONE Group's WCDMA network.

### Top 10 Markets in Orders and Sales, Nine months 2000

Market	Share of Total Orders	Share of Total Sales
<b>USA</b>	<b>12%</b>	<b>14%</b>
<b>China</b>	<b>9%</b>	<b>7%</b>
<b>United Kingdom</b>	<b>7%</b>	<b>8%</b>
<b>Mexico</b>	<b>6%</b>	<b>5%</b>
<b>Brazil</b>	<b>6%</b>	<b>6%</b>
<b>Italy</b>	<b>5%</b>	<b>5%</b>
<b>Spain</b>	<b>5%</b>	<b>6%</b>
<b>Japan</b>	<b>5%</b>	<b>5%</b>
<b>Turkey</b>	<b>5%</b>	<b>5%</b>
<b>Sweden</b>	<b>4%</b>	<b>4%</b>

### OUTLOOK

While Ericsson's systems business continued to grow strongly, the overall results in 2000 are negatively affected by the performance in the Consumer Products segment. This segment is expected to be back to profits in the second half of 2001. However, as a result of the current problems in Consumer Products, Ericsson adjusts the outlook for sales and income for the full year 2000. Ericsson now anticipates sales growth of around 25 percent and an operating margin between 6-7 percent. Operating cash flow will be negative for the full year.

Ericsson's long term financial targets remain unchanged: Ericsson intends to grow faster than the market. This means growing sales by more than 20 percent annually, a return on capital employed of 20-25 percent, a positive cash flow before acquisitions, and an operating margin of at least 10 percent.

Ericsson reaffirms its positive outlook for the mobile Internet market. Already in 2002, Ericsson expects mobile communication to overtake fixed communication in number of subscribers, and the following year, in 2003, the mobile Internet will also surpass fixed Internet. By 2005, Ericsson expects one billion mobile Internet subscribers worldwide.

Ericsson continues to lead the world's mobile systems business. The sales of 2G systems is currently the main driver for Ericsson and will continue for the next several years. We base our positive outlook for future expansion on strong growth in the 2G systems, and fast build out of new 3G systems. 15 out of 20 operators have already selected Ericsson for the supply of 3G systems. Ericsson expects to win additional 3G agreements this year. Deliveries of 3G systems will start later this year and begin to increase during 2001.

New York, October 20, 2000

Lars Ramqvist  
Chairman and CEO

Kurt Hellström  
President

(Unaudited)

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.*

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WAP information available at <http://wap.ericsson.com/news>

Date for full year Report: January 26, 2001

**CONSOLIDATED INCOME STATEMENT (unaudited)**

SEK millions	July-Sep 2000	July-Sep 1999	Jan-Sep 2000	Jan-Sep 1999
Net sales	67,342	49,265	191,460	141,648
Cost of sales	-43,313	-29,487	-117,279	-83,496
<b>Gross margin</b>	24,029	19,778	74,181	58,152
Gross margin as percentage of net sales	35.7%	40.1%	38.7%	41.1%
Research and development and other technical expenses	-9,830	-7,953	-28,463	-23,250
Selling expenses	-7,657	-5,186	-23,366	-19,585
Administrative expenses	-2,728	-3,025	-9,057	-7,824
<b>Operating expenses</b>	-20,215	-16,164	-60,886	-50,659
Operating expenses as percentage of net sales	30.0%	32.8%	31.8%	35.8%
Other operating revenues	2,252	109	12,066	1,158
Share in earnings of associated companies	80	18	157	252
<b>Operating income</b>	6,146	3,741	25,518	8,903
Operating margin as percentage of net sales	9.1%	7.6%	13.3%	6.3%
Financial income	956	381	2,209	1,711
Financial expenses	-1,434	-509	-3,135	-2,514
<b>Income after financial items</b>	5,668	3,613	24,592	8,100
Minority interest in income before taxes	- 190	36	- 493	- 193
<b>Income before taxes <sup>*)</sup></b>	5,478	3,649	24,099	7,907
<b>Taxes</b>	-1,110	-1,035	-5,331	-2,100
<b>Net income <sup>*)</sup></b>	4,368	2,614	18,768	5,807
<sup>*)</sup> Including capital gains/losses, net	1,844	361	10,008	1,115
Of which non-operational gains/losses	1,426	0	6,164	-287
Pension premium refund	0	0	1,100	0
Total non-operational items	1,426	0	7,264	-287
Adjusted operating margin as percentage of net sales	7.0%	7.6%	9.5%	6.5%

## CONSOLIDATED BALANCE SHEET

SEK millions	Sep 30 2000	Dec 31 1999	Sep 30 1999
<b>Fixed assets</b>			
Intangible assets	12,568	10,548	10,856
Tangible assets	23,814	24,719	23,405
Financial assets			
Equity in associated companies	2,869	2,712	2,864
Other investments	2,490	1,751	1,583
Long-term customer financing	7,588	6,657	5,507
Other long-term receivables	3,440	4,972	3,066
Total fixed assets	52,769	51,359	47,281
<b>Current assets</b>			
Inventories	48,361	25,701	31,068
Receivables			
Accounts receivable - trade and short-term customer financing	68,794	65,333	55,977
Other receivables	44,831	31,227	27,578
Short-term cash investments, cash and bank	23,753	29,008	20,521
Total current assets	185,739	151,269	135,144
<b>Total assets</b>	<b>238,508</b>	<b>202,628</b>	<b>182,425</b>
<b>Stockholders' equity</b>	89,926	69,176	62,447
<b>Minority interest in consolidated subsidiaries</b>	2,433	2,182	1,919
<b>Convertible debentures</b>	4,298	5,453	5,720
<b>Interest bearing provisions and liabilities</b>	41,444	39,567	38,811
<b>Non-interest bearing provisions and liabilities</b>	100,407	86,250	73,528
<b>Total stockholders' equity, provisions and liabilities</b>	<b>238,508</b>	<b>202,628</b>	<b>182,425</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

SEK millions	Jan-Sep 2000	Jan-Sep 1999
Cash flow from operating activities	-10,763	-1,681
Investments	<u>5,588</u>	<u>-10,277</u>
Cash flow before financing activities	-5,175	-11,958
Financing	<u>-424</u>	14,792
Effect of exchange rate changes on cash	<u>344</u>	<u>-546</u>
<b>Net change in cash</b>	<u><u>-5,255</u></u>	<u><u>2,288</u></u>

**TREND OF OPERATIONS IN BRIEF**

SEK millions	Jan-Sep 2000	Jan-Sep 1999	Changes in %
Net sales	191,460	141,648	35%
Operating margin as percentage of net sales	13.3%	6.3%	
Income before taxes	24,099	7,907	205%
Net income	18,768	5,807	223%
Average number of shares, fully diluted (million)	7,993	7,987	
Earnings per share, fully diluted (SEK)	2.37	0.77	208%
Adjusted earnings per share (SEK)	1.50	0.75	100%
Earnings per share, fully diluted, in accordance with U.S. GAAP (SEK)	2.29	0.96	139%
Equity ratio	38.7%	35.3%	
Additions to tangible fixed assets	8,480	6,093	39%
Total depreciation on tangible and intangible assets	5,841	5,228	12%
- Of which goodwill	459	484	-5%
Number of employees, end of period	103,394	102,777	1%
Orders booked	212,866	157,812	35%
Capital turnover ratio	2.0	1.9	5%

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

**Year-to-date**

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

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

**Isolated quarters**

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

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

**ORDERS BOOKED BY SEGMENT BY QUARTER**  
(SEK m.)

**Year-to-date**

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

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

**Isolated quarters**

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

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



## NET SALES BY MARKET AREA BY QUARTER

(SEK m.)

Year-to-date

	2000			1999			
	0003A	0006A	0009A	9903A	9906A	9909A	9912A
Western Europe*	23,578	47,011	70,090	17,350	36,374	55,890	85,329
Central- and Eastern Europe, Middle East & Africa	7,323	16,799	25,850	4,779	12,621	19,528	29,736
North America	8,549	19,263	27,704	4,179	11,387	17,610	25,175
Latin America	7,781	17,334	28,953	4,920	12,186	18,916	30,263
Asia Pacific	11,854	23,711	38,863	10,343	19,815	29,704	44,900
<b>Total</b>	<b>59,085</b>	<b>124,118</b>	<b>191,460</b>	<b>41,571</b>	<b>92,383</b>	<b>141,648</b>	<b>215,403</b>
* Of which Sweden	2,380	4,371	6,704	1,685	3,868	5,461	7,551
* Of which EU	22,052	44,031	65,754	16,261	34,299	52,411	80,345

	Change %		
	0003A	0006A	0009A
Western Europe*	36%	29%	25%
Central- and Eastern Europe, Middle East & Africa	53%	33%	32%
North America	105%	69%	57%
Latin America	58%	42%	53%
Asia Pacific	15%	20%	31%
<b>Total</b>	<b>42%</b>	<b>34%</b>	<b>35%</b>
* Of which Sweden	41%	13%	23%
* Of which EU	36%	28%	25%

## Isolated quarters

	2000			1999			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4
Western Europe*	23,578	23,433	23,079	17,350	19,024	19,516	29,439
Central- and Eastern Europe, Middle East & Africa	7,323	9,476	9,051	4,779	7,842	6,907	10,208
North America	8,549	10,714	8,441	4,179	7,208	6,223	7,565
Latin America	7,781	9,553	11,619	4,920	7,266	6,730	11,347
Asia Pacific	11,854	11,857	15,152	10,343	9,472	9,889	15,196
<b>Total</b>	<b>59,085</b>	<b>65,033</b>	<b>67,342</b>	<b>41,571</b>	<b>50,812</b>	<b>49,265</b>	<b>73,755</b>
* Of which Sweden	2,380	1,991	2,333	1,685	2,183	1,593	2,090
* Of which EU	22,052	21,980	21,723	16,261	18,038	18,112	27,934

	Change %		
	Q1	Q2	Q3
Western Europe*	36%	23%	18%
Central- and Eastern Europe, Middle East & Africa	53%	21%	31%
North America	105%	49%	36%
Latin America	58%	31%	73%
Asia Pacific	15%	25%	53%
<b>Total</b>	<b>42%</b>	<b>28%</b>	<b>37%</b>
* Of which Sweden	41%	-9%	46%
* Of which EU	36%	22%	20%

**ORDERS BOOKED BY MARKET AREA BY QUARTER**  
(SEK m.)

**Year-to-date**

	2000			1999			
	0003A	0006A	0009A	9903A	9906A	9909A	9912A
Western Europe*	25,048	50,870	71,807	19,096	40,380	63,882	95,707
Central- and Eastern Europe, Middle East & Africa	17,388	24,503	32,104	9,197	14,764	25,786	30,626
North America	9,148	19,082	27,326	6,024	12,523	19,622	27,468
Latin America	9,695	19,312	33,053	3,432	11,032	17,816	27,797
Asia Pacific	18,195	30,428	48,576	9,712	20,974	30,706	42,230
<b>Total</b>	<b>79,474</b>	<b>144,195</b>	<b>212,866</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	1,565	3,517	5,248	7,182
23,261	47,523	67,194	17,826	37,990	60,050	90,562

**Change %**

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

\* Of which Sweden

\* Of which EU

87%	71%	52%
30%	25%	12%

**Isolated quarters**

	2000			1999			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4
Western Europe*	25,048	25,822	20,937	19,096	21,284	23,502	31,825
Central- and Eastern Europe, Middle East & Africa	17,388	7,115	7,601	9,197	5,567	11,022	4,840
North America	9,148	9,934	8,244	6,024	6,499	7,099	7,846
Latin America	9,695	9,617	13,741	3,432	7,600	6,784	9,981
Asia Pacific	18,195	12,233	18,148	9,712	11,262	9,732	11,524
<b>Total</b>	<b>79,474</b>	<b>64,721</b>	<b>68,671</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	1,565	1,952	1,731	1,934
23,261	24,262	19,671	17,826	20,164	22,060	30,512

**Change %**

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

\* Of which Sweden

\* Of which EU

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

**OPERATING INCOME AND OPERATING MARGIN PER SEGMENT PER QUARTER  
(MSEK)**

**Year-to-date**

	2000			1999			
	0003A	0006A	0009A	9903A	9906A	9909A	9912A
Network Operators & Service Providers	5,760	15,581	23,688	2,108	5,758	10,919	19,637
Consumer Products	457	-1,829	-5,932	-23	-56	-675	253
Enterprise Solutions	29	-21	-256	-222	-216	-382	64
Other operations	543	5,798	8,089	128	342	139	75
Unallocated *	-414	-157	-71	-205	-666	-1,098	-2,439
<b>Total</b>	<b>6,375</b>	<b>19,372</b>	<b>25,518</b>	<b>1,786</b>	<b>5,162</b>	<b>8,903</b>	<b>17,590</b>

**As percentage of Net Sales**

	2000			1999			
	0003A	0006A	0009A	9903A	9906A	9909A	9912A
Network Operators & Service Providers	15%	18%	18%	7%	9%	11%	13%
Consumer Products	3%	-6%	-14%	0%	0%	-2%	1%
Enterprise Solutions	1%	0%	-2%	-6%	-3%	-3%	0%
Other operations	10%	58%	57%	4%	5%	1%	0%
<b>Total</b>	<b>11%</b>	<b>16%</b>	<b>13%</b>	<b>4%</b>	<b>6%</b>	<b>6%</b>	<b>8%</b>

**Isolated quarters**

	2000			1999			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4
Network Operators & Service Providers	5,760	9,821	8,107	2,108	3,650	5,161	8,718
Consumer Products	457	-2,286	-4,103	-23	-33	-619	928
Enterprise Solutions	29	-50	-235	-222	6	-166	446
Other operations	543	5,255	2,291	128	214	-203	-64
Unallocated *	-414	257	86	-205	-461	-432	-1,341
<b>Total</b>	<b>6,375</b>	<b>12,997</b>	<b>6,146</b>	<b>1,786</b>	<b>3,376</b>	<b>3,741</b>	<b>8,687</b>

**As percentage of Net Sales**

	2000			1999			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4
Network Operators & Service Providers	15%	21%	17%	7%	10%	15%	17%
Consumer Products	3%	-17%	-29%	0%	0%	-6%	6%
Enterprise Solutions	1%	-1%	-6%	-6%	0%	-4%	8%
Other operations	10%	145%	53%	4%	5%	-5%	-1%
<b>Total</b>	<b>11%</b>	<b>20%</b>	<b>9%</b>	<b>4%</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	9903A	9906A	9909A	9912A
Network Operators & Service Providers	63,616	65,005	66,973	65,530	65,909	65,359	64,695
Consumer Products	17,290	17,710	18,137	14,116	14,053	14,970	16,446
Enterprise Solutions	9,130	8,687	8,739	9,856	10,329	10,262	9,615
Other operations	11,257	8,839	8,461	11,046	11,278	11,474	11,525
Unallocated	1,030	1,076	1,084	669	809	712	1,009
<b>Total</b>	<b>102,323</b>	<b>101,317</b>	<b>103,394</b>	<b>101,217</b>	<b>102,378</b>	<b>102,777</b>	<b>103,290</b>

	Change %		
	0003A	0006A	0009A
Network Operators & Service Providers	-3%	-1%	2%
Consumer Products	22%	26%	21%
Enterprise Solutions	-7%	-16%	-15%
Other operations	2%	-22%	-26%
Unallocated	54%	33%	52%
<b>Total</b>	<b>1%</b>	<b>-1%</b>	<b>1%</b>

## CAPITAL GAINS/LOSSES SPECIFICATION

SEK b.

OPERATIONAL	Q1	Q2	Q3	YTD
<b>Network Operators and Service Providers</b>				
Saraide	0,7			
Across Wireless		1,0		
AU-system		0,2	0,1	
iD2		0,3		
	0,7	1,5	0,1	2,3
<b>Consumer Products</b>				
Saraide	0,3			
Across Wireless		0,5		
	0,3	0,5	0	0,8
<b>Enterprise Solutions</b>				
Information Highway	0,1			0,1
<b>Other Operations</b>				
Other	0,3	0,1	0,2	0,6
<b>Total operational G/L</b>	<b>1,4</b>	<b>2,1</b>	<b>0,3</b>	<b>3,8</b>
<b>NON-OPERATIONAL</b>				
Energy Systems		4,5		
Real estate		0,2	1,5	
<b>Total non-operational G/L</b>	<b>0</b>	<b>4,7</b>	<b>1,5</b>	<b>6,2</b>
<b>ERICSSON G/L NET OF MINORITY</b>				<b>10,0</b>