

# Third Quarter Report

2005

KARL-HENRIK SUNDSTRÖM  
CFO

# Group Sales by region

(SEK b.)

| Region         | Q304        | Q205        | Q305        | YoY %      | Seq.%      |
|----------------|-------------|-------------|-------------|------------|------------|
| Western Europe | 9.8         | 9.9         | 9.5         | -2%        | -4%        |
| CEMA           | 8.4         | 9.9         | 9.2         | 8%         | -8%        |
| North America  | 3.3         | 6.5         | 4.5         | 35%        | -31%       |
| Latin America  | 3.7         | 4.4         | 5.1         | 40%        | 15%        |
| Asia Pacific   | 6.6         | 7.7         | 7.9         | 20%        | 3%         |
| <b>Total</b>   | <b>31.8</b> | <b>38.4</b> | <b>36.2</b> | <b>14%</b> | <b>-6%</b> |

>50% of sales in emerging markets

# Group Sales by segment

(SEK b.)

|                            | Q304        | Q205        | Q305        | YoY %       | Seq %      |
|----------------------------|-------------|-------------|-------------|-------------|------------|
| <b>Systems</b>             | <b>29.6</b> | <b>36.1</b> | <b>33.9</b> | <b>15%</b>  | <b>-6%</b> |
| - Mobile Networks          | 23.8        | 28.8        | 26.8        | 13%         | -7%        |
| - Fixed Networks           | 1.0         | 1.1         | 1.1         | 11%         | 1%         |
| Total Network Equipment    | 24.8        | 29.9        | 27.9        | 13%         | -7%        |
| - of which Network Rollout | 2.6         | 3.6         | 3.6         | 35%         | 0%         |
| Professional Services      | 4.8         | 6.2         | 6.0         | 25%         | -3%        |
| <b>Other Operations</b>    | <b>2.8</b>  | <b>2.7</b>  | <b>2.5</b>  | <b>-12%</b> | <b>-6%</b> |
| Less: Intersegment Sales   | -0.6        | -0.4        | -0.2        |             |            |
| <b>Total</b>               | <b>31.8</b> | <b>38.4</b> | <b>36.2</b> | <b>14%</b>  | <b>-6%</b> |

**25% growth in Professional Services**

# Financial summary

(SEK b.)

|                                 | Q304* | Q205  | Q305  | YoY % | Seq % |
|---------------------------------|-------|-------|-------|-------|-------|
| Sales                           | 31.8  | 38.4  | 36.2  | 14%   | -6%   |
| Gross margin                    | 47.1% | 45.9% | 45.2% |       |       |
| Operating margin                | 20.7% | 21.6% | 21.6% |       |       |
| Income after<br>financial items | 6.4   | 8.5   | 8.0   | 30%   | -8%   |
| EBITDA                          | 26.8% | 25.3% | 25.7% |       |       |

Continued good development

\* Year 2004 has been restated according to IFRS rules

# Financial performance

(SEK b.)

|  | Q304* | Q205  | Q305  | YoY % | Seq % |
|--|-------|-------|-------|-------|-------|
| Net income                               | 4.3   | 5.8   | 5.3   | 22%   | -9%   |
| Adj. income to cash                      | 3.1   | 2.2   | 3.7   | 20%   | 64%   |
| Income to cash                           | 7.4   | 8.1   | 9.0   | 21%   | 11%   |
| Working capital                          | -0.9  | -1.0  | -8.7  |       |       |
| Cash flow from operating activities      | 6.5   | 7.1   | 0.3   | -96%  | -96%  |
| Investing activities                     | -1.3  | -1.7  | -1.3  | 0%    | -22%  |
| Cash flow bef. fin. investing activities | 5.2   | 5.4   | -1.1  |       |       |
| Net cash                                 | 36.8  | 42.4  | 41.3  | 12%   | -3%   |
| Equity ratio (%)                         | 42.0% | 46.5% | 49.2% |       |       |

**Increase in working capital due to higher business activity**

\* Year 2004 has been restated according to IFRS rules

# Operating efficiency trends

|                                 | Q304 | Q205 | Q305 | Targets |
|---------------------------------|------|------|------|---------|
| Accounts receivable (SEK b.)    | 31.0 | 38.4 | 41.3 |         |
| DSO                             | 88   | 90   | 102  | <90     |
| Inventories, incl. WiP (SEK b.) | 16.5 | 19.3 | 19.8 |         |
| Inventory turnover              | 4.8  | 4.4  | 4.5  | >5.5    |
| Accounts payable (SEK b.)       | 9.9  | 11.8 | 11.7 |         |
| Payable days                    | 52   | 56   | 54   | >45     |

Operational excellence in focus

# Sony Ericsson



|  | Q304  | Q205  | Q305  | YoY % | Seq % |
|--|-------|-------|-------|-------|-------|
| No of units shipped (million)          | 10.7  | 11.8  | 13.8  | 29%   | 17%   |
| Sales (EUR m.)                         | 1,678 | 1,614 | 2,055 | 22%   | 27%   |
| IBT                                    | 136   | 87    | 151   | 11%   | 74%   |
| Net income                             | 91    | 75    | 104   | 14%   | 39%   |
| Ericsson share<br>in earnings (SEK b.) | 0.6   | 0.4   | 0.7   | 8%    | 76%   |

Positive accumulated earnings a milestone for the joint venture

# Market outlook

- Global mobile systems market in USD expected to show moderate growth in 2006\*
- Addressable market for professional services expected to show good growth in 2006\*
- Outlook for 2005 unchanged\*



Well positioned to capture market opportunities

\*All estimates refer to market growth compared to previous year. This slide contains forward looking statements.



# Third 2005 Quarter Report

**ERICSSON** 

**TAKING YOU FORWARD**