

Second **Q**uarter **R**eport

2004

ERICSSON 

S econd Q uarter R eport

CARL-HENRIC SVANBERG
President and CEO

Strengthening leadership position

- **Solid performance**

- Orders booked and sales up 17% and 18% year-over-year
- Operating income SEK 7.4 b., operating margin 22.8%

- **Operational excellence leads the way**

- Committed organization – exceeding expectations
- Clarity and simplicity – best in class margins

- **Sony Ericsson growth continues**

- Fourth consecutive quarter of improved performance

The prime driver in an all-communicating world

Our way to success



Our global presence

- **140 countries**
 - More than a century in most markets – long-term commitments
- **Local presence globally**
 - 20,000 employees in sales, services and technical support
- **Market leader in high growth markets**
 - ~50% of our sales – subscriber potential accelerating

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Network convergence in focus

- **Seamless services fixed and mobile**
 - Ease-of-use and "always best connected"
 - Driven by mobility behavior
- **New revenue generating opportunities**
 - Richer consumer experiences with all-IP multimedia services
- **Opportunities for reduced operator cost**
 - Efficiency gains from layered architecture and all-IP

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Business highlights – 3G status

- **Strong global 3G subscription growth**
 - ~7 million, up 60% sequentially in WCDMA
 - ~100 million subscriptions in CDMA2000 1X
- **WCDMA a natural evolution of GSM**
 - 1/3 upgrading so far – common core network & services
- **WCDMA/EDGE 30% of radio access**
 - Ericsson in 21 of 37 commercial networks
 - All Western Europe being launched



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Business highlights – 2G and services

- **GSM potential underestimated**
 - Continued rollout and momentum in all markets
- **Contract wins for Ericsson Expander**
 - Latin America, Asia Pacific and Africa
- **Eight managed services/hosting contracts announced**
 - Hosting speeds up launch of new consumer services

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Ericsson WCDMA Evolved, HSDPA

- True mobile broadband - up to 14 Mbit/s
 - Easy upgrade of Ericsson 3G base stations
- Richer consumer experience
 - Faster downloading – Internet access – streaming
- Field trial systems delivered
 - Commercial systems available 2005

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Q2 financial highlights

- **Orders booked SEK 33.1 (28.3) b.**
 - Up 17% year-over-year
- **Sales SEK 32.6 (27.6) b.**
 - Up 18% year-over-year
- **Gross margin 47.8% (35.1%)**
 - Up 3.1 percentage points sequentially

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Q2 financial highlights (cont.)

- **Income after financials SEK 7.5^{*} (0.2) b.**
 - Operating margin of 22.8%^{*}
- **Cash flow bef. financing SEK 4.3 (5.1) b.**
 - Cash flow from operations SEK 7.1 b.
- **Debt free with net cash of SEK 31.7 b.**
 - Strong financial position

^{*}excluding positive non-recurring effect of SEK 0.3 b.

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Sony Ericsson Q2 highlights

- Continued growth
 - Units up 55%, sales up 34% year-on-year
- Income before tax EUR 113 m.
 - Fourth consecutive quarter of increased profitability
- Upgraded global market outlook
 - Approximately 600 million units 2004



Innovative products drive growth

Market outlook 2004

- Traffic increase should generate slight to moderate growth (USD)
- Additional effect from catch up continues but should abate over time
- Good growth in professional services market

Well positioned to capture market opportunities

Summary

- **Confidence has returned to the industry**
 - Increased focus on business development and revenue growth
- **True mobile broadband expands market**
 - We are leveraging our market and technology leadership
- **Operational excellence with a clear target**
 - Satisfied customers – "best in class" margins – motivated staff



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QUESTIONS & ANSWERS

