Interim Report
Three months ended March 31, 1999
April, 1999

Interim Report - Three month report ended March 31, 1999

Overview

- *Strong growth in mobile systems infrastructure*
- *Strategic direction reinforced by acquisitions in wireless and datacom*
- *Lower earnings in Consumer Products*
- *Significantly reduced wireline sales in Latin America and Asia/Pacific*
- *Income per share in the first quarter 1999 down 47 percent compared to the first quarter 1998*

Net sales SEK 41,571 m. + 8 percent
Income before taxes SEK 1,302 m. - 51 percent
Income per share SEK 0.49 - 47 percent

Ericsson´s net sales in the first quarter of 1999 increased by 8 percent to SEK 41,571 m. (38,356). Net sales by comparable units increased by 10 percent. The largest business segment, Network Operators and Service Providers, increased sales by 20 percent to SEK 28,505 m. while Enterprise Solutions sales were flat at SEK 3,663 m. and sales for Consumer Products declined by 12 percent to SEK 9,696 m.

China was the largest market followed by the US, the UK, Brazil and Italy. Sales in market area Europe, Middle East and Africa increased by 13 percent and in Asia Pacific by 16 percent compared with the first quarter of 1998. Sales in market areas Latin America and North America decreased by 12 percent and 4 percent respectively.

Income before taxes was SEK 1,302 m., which is 51 percent lower than the income in the first quarter of 1998. The decrease is attributable to lower profitability within Consumer Products (a reduction in operating margin of SEK -1,100 m. compared to the first quarter of 1998), restructuring costs (SEK 400 m.), additional provisions for market risks and customer financing (SEK 700 m.) and higher operating expenses.

Operating expenses increased by 24 percent compared with the first quarter of 1998. This increase is due to expanded efforts in technical development of new areas such as third generation mobile systems, IP and Datacom. R&D for Consumer Products have increased substantially during the first quarter 1999 compared to the first quarter 1998. This is due to efforts in new areas as well as an aggressive plan to enhance existing technologies and products. Industrialization costs for several new products also contributed to the increase in operating expenses for Consumer Products. The provisions for increased market risks and customer financing are reported as selling expenses.

The financial net during the first quarter is negative and amounts to SEK -294 m. compared with a positive in the first quarter of 1998 of SEK 69 m.

Financial assets and liabilities net have been substantially reduced and are now negative, almost SEK 13 billion lower than in the first quarter last year.

Net capital gains of SEK 78 m. include the sale of shares in the Swedish company AU-System and in the Austrian company Ericsson Vertriebs GmbH. Net currency exchange effect on income is positive with approximately SEK 300 m. compared to the first quarter of 1998.

Income per share after full conversion decreased by 47 percent to SEK 0.49 (0.94).

Investments in tangible fixed assets were SEK 1,576 m. (1,572) of which SEK 760 m. (797) in Sweden.

Cash flow before financing activities was negative SEK -10,730 m. compared with SEK -6,363 m. for the first quarter of 1998. The negative cash flow is caused by normal seasonal variations, such as lower income, increased inventories, decreased accounts payable plus reduced advances from customers and unfavorable currency effects.

Due to the devaluation of the Brazilian currency, conversion of the Brazilian companies' accounts has led to a negative consolidation effect of approximately SEK 1.3 billion resulting in a reduced total equity during the first quarter.

The total number of employees is 101,217 at the end of the period (103,667 in December 1998).

BUSINESS SEGMENTS

- 47 percent sales growth of mobile systems with improved operating margin
- 37 percent increase in unit volume of mobile phones
- Further shift toward mid- and entry level phones has had a negative impact on Consumer Products' sales growth and income

Network Operators and Service Providers continued to be the main contributor to the growth of Ericsson. The segment, which represents almost 70 percent of Ericsson´s total sales, increased sales by 20 percent to SEK 28,505 m. in the first quarter of 1999. The growth was particularly strong in mobile systems which more than compensated for a decrease in wireline systems sales and low sales for data networking. The wireline systems business can be characterized by significantly reduced customer expenditures in most markets in Latin America and Asia/Pacific. The restructuring of wireline systems has progressed well but the lower volumes has resulted in an operating loss of SEK -313 m. (SEK 38 m). Mobile systems sales account for approximately 75 percent of the segment's total sales. The strong sales, especially for GSM but also for TDMA and PDC systems, which together grew by 47 percent, generated an improved operating margin. A number of strategic contracts for advanced datacom solutions were signed with customers in all market areas.

Consumer Products reported a strong unit volume increase (37 percent) during the first quarter 1999. The unit volume increase was mainly due to strong growth within GSM products. Increasing competition and a further shift toward mid- and entry level phones had a negative impact on the sales figure for first quarter 1999, down 12 percent. from the relatively strong first quarter 1998 to SEK 9,696 m.

Enterprise Solutions reported flat sales amounting to SEK 3,663 m. The segment is increasing its focus on new IP-based products and wireless technologies for the office. Sales have been negatively affected by a delay in the commercial release of the new MD110 PABX which is now ready. Growth continued in call centers and small PABXs.

Other operations (including energy systems, components, cables, and defense electronics) increased sales by 5 percent to SEK 3,095 m. The increase is mainly related to internal deliveries to business segment Network Operators and Service Providers and higher sales for Ericsson Hewlett-Packard Telecommunications, which is a part of Other operations.

MARKET AREAS

Sales in Europe, Middle East and Africa increased by 13 percent to SEK 22,129 m. Strong developments were reported in Italy, Spain, France, Netherlands, Greece, Portugal and Turkey. Mobile system sales were strong and more than compensated for shortfalls in wireline system sales.

Asia Pacific reported an increase in net sales during the first quarter by 16 percent to SEK 10,343 m. Strong sales increases were reported in China and Japan. New business activity in China has moderated significantly during the quarter compared to a very strong first quarter last year. Decreased sales were reported in Australia, Malaysia, India, New Zealand and Thailand.

Latin America reported lower sales by 12 percent amounting to SEK 4,920 m. Sales were lower in Chile, Mexico, Argentina and Venezuela. Sales in Brazil, however, increased by 12 percent, in spite of the currency devaluation. The devaluation of the Brazilian currency has delayed new business development in Brazil.

North America sales SEK 4,179 m. was 4 percent below sales in the first quarter of last year, due to lower sales of mobile phones. Sales of mobile systems was very robust and new business continues to develop very favorably.

KEY ISSUES AND OUTLOOK FOR 1999

- Industry leading datacom product portfolio established
- Strong new mobile phone portfolio released
- Successful positioning for third generation mobile systems through strategic contracts

Ericsson's objective is to secure a market defining role for wireless Internet. The basic strategy is to combine Ericsson's industry leading position in wireless communications with a strong commitment to IP technologies. To aggressively move the strategy forward, Ericsson will need to supplement its internally developed products with externally sourced products and technologies.

The speed and power with which Ericsson is implementing its strategy has been substantially reinforced by a number of agreements and activities in the beginning of 1999. These relate to acquisitions, strategic orders and product launches by which Ericsson has strengthened its position for next generation mobile systems and data networking.

Acquisitions and partnering

Ericsson and Qualcomm announced that they have entered into a series of agreements that resolve all disputes between the companies relating to Code Division Multiple Access (CDMA) technology. The agreements include the acquisition by Ericsson of Qualcomm's infrastructure division. As a result, Ericsson will have a complete portfolio of technologies for 2nd and 3rd generation wireless products. Further expansion of our already world-leading mobile systems business will be accelerated, in particular on the North American market. The deal is expected to close during the second quarter 1999. Ericsson will then move quickly into the market for CDMA infrastructure. Ericsson will offer CDMA mobile phones during the first half of next year.

As part of its strategic move into IP networking, Ericsson acquired Torrent Networking Technologies Corporation of Maryland, USA, for USD 450 m. on April 13. Torrent is a supplier of high-capacity edge- and aggregation routers with dynamic traffic shaping capabilities.

The Torrent product family is a strategic addition to Ericsson's carrier-class networking portfolio. This positions Ericsson to be a leading player in next generation IP networking. The Torrent products will have a substantial impact on Ericsson's ability to provide a complete data networking solution. This strengthened position in IP networking complements Ericsson's already strong position in carrier-class networking and wireless communications. Together, these resources allow Ericsson to offer fully integrated end-to-end capabilities for converged wireless and wireline voice and data networks.

In March, Ericsson and Juniper Networks Inc. announced a series of strategic agreements that expands the relationship between the two companies. The first of the agreements is a contract that provides Ericsson full rights to distribute Juniper's gigabit backbone router on a world-wide basis. This co-operation enables carriers and ISPs to take advantage of Ericsson's systems integration and turnkey support, global distribution and professional services, while benefiting from Juniper's extensive IP backbone routing competence. The first customer deliveries have already occurred as a result of this agreement.

As part of both companies' interests in developing integrated IP solutions, a co-operative technology agreement was established to explore converging opportunities in voice and IP.

Ericsson has also acquired TouchWave Inc. for USD 46 m., a Silicon Valley, California based provider of enterprise IP-technology solutions.

The acquisition of TouchWave gives Ericsson fully featured IP-PABX systems. The TouchWave systems interwork with voice over IP, wireless LAN terminals, existing analog handsets and third party software applications for office usage. TouchWave products are designed to deliver significantly lower costs for communications, ease of management and administration, all on a single, IP-based network platform.

Solutions for converging networks

The convergence of telephony and data communications is becoming increasingly apparent. One example is the groundbreaking contract announced in January 1999 with BT of the UK. This contract, which Ericsson won in stiff competition, will take BT's AXE wireline networks into the next millennium. It will efficiently integrate AXE, ATM and IP to support a wide range of multi-media services, ranging from voice to datacom. The contract also represents a breakthrough for Ericsson's AXD 301 ATM switch.

The multi-service, high capacity network will handle the rapidly increasing volumes of Internet, national and international as well as interconnect traffic. The Ericsson developed solution provides a seamless migration to an integrated narrowband and broadband core network. The new core network will form the heart of BT's network in the New Telecoms World.

Another example of Ericsson's leadership in solutions for converging networks is GPRS - a key step to wireless Internet and mobile IP services. Ericsson to date has captured two thirds of contracts for GPRS systems.

Ericsson signed the world's first GPRS contract in January with German operator T-Mobil. Since then, Ericsson has won four additional GPRS contracts encompassing North America, Europe and Asia. These contracts are a strong signal that operators are beginning to position themselves for wireless Internet and to start the migration to third generation (3G) networks.

Ericsson's GPRS brings powerful IP handling capabilities to mobile networks. GPRS enables a more than ten-fold increase of current mobile datacom speeds. By enhancing mobile networks to efficiently handle IP-based services, GPRS provides a common approach for both GSM and TDMA operators to profitably deliver wireless Internet services like world-wide web and e-mail.

For Ericsson, market leadership for GPRS reinforces its already strong position for upcoming 3G networks. GPRS creates pull through sales of our next generation IP and ATM network portfolio.

Mobile devices

During the first quarter of 1999 Ericsson unveiled several new mobile phones, digital cordless phones for the home environment and a new mobile companion.

Product launches during 1999 provide Ericsson with a totally new and broader product portfolio. Some key products are the entry-level phone A1018 and the stylish T28. The R380 smart phone and the MC218 mobile companion are advanced WAP- and EPOC-based devices. The new products will be available in the market in line with communicated plans. The T28 will be commercially available in July.

As part of its strategy, Ericsson provides leadership for various industry initiatives that will move its position forward.

The Bluetooth interest group, initiated by Ericsson, now has more than 500 members. Ericsson introduced five different Bluetooth prototype products at CeBIT '99, which clearly demonstrated that the Bluetooth technology will revolutionize wireless connectivity and communications.

Ericsson is participating in another initiative to simplify the introduction and recognition of the wireless Internet. The Mobile Media Mode is a multi-vendor initiative whereby content is optimized for mobile users. Mobile Media Mode takes into account the limited screen- and key-pad capability of mobile devices.

Outlook

Ericsson´s long-term objective is to grow faster than the market. This objective calls for a continued shift of emphasis toward mobile and IP-based technologies and data communications. Ericsson is strengthening its position as the leading supplier through important expenses in development of the next generation of mobile system technologies. Further expenditures will also be undertaken on new mobile phones. These efforts with a focus on leadership in the New Telecoms World will generate Ericsson's intended long-term growth. For 1999 as a whole the real impact of the strategic direction will not be gained. As previously indicated, a growth of around 10 percent is expected for the full year.

Ericsson is now facing financial uncertainty in a number of markets, increased costs for research and development, acquisitions, the millennium issue, IS/IT support as well as lower profitability for some products along with extraordinary charges for restructuring. This means that, in spite of a stronger second half of 1999, income per share for the year is expected to be lower than in 1998. Several of these factors affecting the outlook for 1999 are expenses that however will lead to a lower cost base and an improved competitive position for Ericsson as the leader in the New Telecoms World.

Stockholm, April 22, 1999

Sven-Christer Nilsson

(This report is unaudited)

Uncertainties in the Future.

"Safe Harbour" Statement under the U.S. Private Securities Litigation Reform Act of

1995":

Some statements in the press release are forward looking and actual results may differ materially from those stated. In addition to the factors discussed, among the other factors that may affect results are product demand, the effect of economic conditions, exchange-rate and interest-rate movements, the impact of competitive products and 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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CONSOLIDATED INCOME STATEMENT (unaudited)

SEK millions	**Jan-March 1999**	**Jan-March 1998**	**Changes in %**	**Jan-Dec 1998**
Net sales	41,571	38,356	8%	184,438
Cost of sales	-23,708	-22,458	6%	-105,251
Gross margin	17,863	15,898	12%	79,187
Gross margin as percentage of net sales	43.0%	41.4%		42.9%
Research and development and other technical expenses	-6,926	-5,937	17%	-28,027
Selling expenses	-6,624	-5,306	25%	-24,108
Administrative	-2,827	-2,016	40%	-8,922

expenses				
Other operating revenues	220	177	24%	995
Share in earnings of associated companies	80	53	51%	148
Operating margin	1,786	2,869	-38%	19,273
Operating margin as percentage of net sales	4.3%	7.5%		10.4%
Financial income	623	567	10%	2,228
Financial expenses	- 917	- 498	84%	-2,465
Income after financial items	1,492	2,938	-49%	19,036
Minority interest in income before taxes	- 190	- 301	-37%	- 826
Income before taxes *)	1,302	2,637	-51%	18,210
Taxes	- 397	- 831	-52%	-5,169
Net income *)	905	1,806	-50%	13,041
*) Including capital gains/losses, net	78	- 20		234

CONSOLIDATED BALANCE SHEET

SEK millions	**March 31 1999**	**Dec 31 1998**	**March 31 1998**
Fixed assets			
Intangible assets	6,336	6,354	1,335
Tangible assets	21,994	22,516	19,528
Financial assets			
Equity in associated companies	2,759	2,777	2,265
Other investments	1,507	1,438	1,662
Long-term customer	5,228	5,937	4,485

financing			
Other long-term receivables	3,200	2,902	3,403
Total fixed assets	41,024	41,924	32,678
Current assets			
Inventories	28,909	26,973	25,036
Receivables			
Accounts receivable – trade and short-term customer financing	53,477	57,737	46,536
Other receivables	24,951	22,589	19,145
Short-term cash investments, cash and bank	16,457	18,233	24,065
Total current assets	123,794	125,532	114,782
Total assets	**164,818**	**167,456**	**147,460**
Stockholders` equity	62,560	63,112	54,387
Minority interest in equity of consolidated subsidiaries	1,996	2,051	4,472
Convertible debentures	6,072	6,241	6,025
Interest bearing provisions and liabilities	27,570	21,233	19,265
Non-interest bearing provisions and liabilities	66,620	74,819	63,311
Total stockholders` equity, provisions and liabilities	**164,818**	**167,456**	**147,460**

CONSOLIDATED STATEMENT OF

CASH FLOW

SEK millions	Jan-March 1999	Jan-March 1998
Cash flow from operating activities	-8,787	-6,004
Investments	-1,943	-359
Cash flow before financing activities	-10,730	-6,363
Financing	8,018	1,688
Effect of exchange rate changes on cash	936	-387
Net change in cash	-1,776	-5,062

TREND OF OPERATIONS IN BRIEF

SEK millions	Jan-March 1999	Jan-March 1998	Changes in %
Net sales	41,571	38,356	8%
Income before taxes	1,302	2,637	-51%
Net income	905	1,806	-50%
Average number of shares after full conversion, million	1,997	1,997	
Income per share, SEK	0.49	0.94	-47%
Income per share in accordance with U.S. GAAP, SEK	0.80	1.20	-33%
Equity	39.2%	39.9%	

ratio			
Cash flow before financing activities	-10,730	-6,363	69%
Additions to tangible fixed assets	1,576	1,572	
Total depreciation on tangible and intangible assets	1,592	1,402	14%
- Of which goodwill	124	39	
Number of employees, end of period	101,217	102,466	-1%

NET SALES BY BUSINESS SEGMENT

SEK millions	**Jan-March 1999**	**Jan-March 1998**	**Changes in %**	**Jan-Dec 1998**
Network Operators and Service Providers	28,505	23,702	20%	123,200
Consumer Products	9,696	11,045	-12%	45,200
Enterprise Solutions	3,663	3,692	-1%	16,100
Other operations	3,095	2,946	5%	13,700
Less: Intersegment sales	-3,388	-3,029	12%	-13,800
Total	41,571	38,356	8%	184,400

NET SALES BY MARKET AREA

SEK millions	**Jan-March 1999**	**Jan-March 1998**	**Changes in %**	**Jan-Dec 1998**
Europe*, Middle East and Africa	22,129	19,498	13%	97,456
North America	4,179	4,331	-4%	18,560
Latin America	4,920	5,577	-12%	25,537
Asia Pacific	10,343	8,950	16%	42,885
Total	41,571	38,356	8%	184,438
* Of which Sweden	1,685	2,058	-18%	8,509

* Of which EU		16,261	14,767	10%	71,094
Closing exchange rate SEK/USD = 8.2490					