Interim Report
Six months ended June 30, 1999
July, 1999

Interim Report Six month report ended June 30, 1999

- *Mobile systems' growth over 40 percent.*
- *Strengthened leadership in third generation (3G) wireless systems with key contracts and acquisitions.*
- *Consumer products down at breakeven profitability on 31 percent volume increase. New mobile phones will have a positive impact on income.*
- *New executive leadership for fast improvement of operational performance.*
- *Ericsson forecasts the pretax profit for 1999 to be lower than in 1998. For the year 2000 Ericsson anticipates strong improvements with a profit before taxes better than in 1998.*

Net sales	SEK	92,383 m.	+ 12 percent
Income before taxes	SEK	4,258 m.	- 44 percent
Income per share	SEK	1.74	- 35 percent

Net sales by comparable units increased by 14 percent. The benefits of strong sales growth were offset by a drop in sales and profitability within Consumer Products, increased operating expenses for all segments, negative results associated with acquired units and a deteriorated financial net due to a negative cash flow.

Executive leadership
The negative trend of Ericsson's financial and operating performance has been of major concern to the Board of Directors. Consequently, a change of the executive leadership was implemented on July 7, 1999. Its primary charter is a fast improvement of the operational performance of the company. The immediate focus will be to secure a faster implementation of the restructuring program and to complete the transition to the new organization. Improved time to market of new products and competitive positioning will also be secured. The Board of Directors and the new executive leadership confirm and fully support the previously outlined strategy.

Income before taxes was SEK 4,258 million (7,571), which is 44 percent lower than the income in the first six months of 1998. This includes SEK 900 m of capital gains from sales of shares in Intracom. The reduction in income before taxes from last year is due to a SEK 2,600 m. lower operating margin within Consumer Products, restructuring costs of SEK 600 m., SEK 300 m. in negative results for acquired units and additional provisions of SEK 1,300 m. for market risks and customer financing. (Total provisions at the end of the period were almost SEK 13,200 m.)

Sales and Margins
Ericsson's net sales in the first six months of 1999 increased by 12 percent to SEK

92,383 m. (82,250). Second quarter sales were strong, up 16 percent over last year and 22 percent over the previous quarter. The largest business segment, Network Operators and Service Providers, increased sales by 22 percent to SEK 64,314 m. Enterprise Solutions increased sales by 10 percent to SEK 8,278 m. whereas sales for Consumer Products declined by 8 percent to SEK 20,064 m.

Sales in **Europe, Middle East and Africa** increased by 17 percent to SEK 48,995 m. Strong developments were reported in Turkey, Spain, France, Netherlands, Greece, Portugal and Ireland. Mobile system sales were strong and increased by more than 60 percent.

Asia Pacific reported flat sales during the first six months of SEK 19,815 m. Strong sales increases were however reported in Japan and Taiwan. New business activity in China has slowed down significantly during the period compared to a very strong first six months last year. The situation in China is a result of regulatory uncertainties and restructuring affecting operators. Mobile subscriber growth, however, continues to be very strong in China with well over one million new subscribers per month. Sales decreased also in Malaysia, Philippines, Singapore and Thailand.

Latin America sales of SEK 12,186 m. were at the same level as last year. Sales were lower in Chile, Argentina and Venezuela. Brazil, however, shows a very strong growth which, despite the devaluation, generated a growth of 20 percent when converted to SEK. Sales in Mexico were more than 30 percent higher than during the first six months of 1998.

North America had a very strong second quarter and sales for the six month period were SEK 11,387 m., up 41 percent over last year. Sales of mobile systems showed strong growth and new business continued to develop very favorably. With a 49 percent increase in sales, the US passed China and again became Ericsson's largest geographical market.

Total **gross margin** dropped by 1.5 percentage points mainly due to the price erosion for mobile phones. Gross margins within mobile and wireline systems remained stable.

Operating expenses increased by 25 percent compared with the first six months of 1998. Selling and administrative expenses increased by almost 30 percent, considerably faster than the sales growth also when adjusting for provisions for market risks and customer financing. The increase in operating expenses is mainly driven by costs for IT infrastructure, which is partly related to the process reengineering and installation of business support systems, as well as Y2K charges. This situation now has strong management attention and will be in focus for improvement during the coming quarters. Technical development expenses in new areas such as 3G mobile systems, datacom and mobile phones have also increased substantially.

Financial net for the first six months was SEK -675 m. (112). This is because financial assets and liabilities net is reduced by approximately SEK 20,000 m. from year-end due to unfavorable cash flow. Cash is reduced by SEK 6,000 m. and liabilities are increased by SEK 15,000 m., of which further utilization of the increased Medium Term Note program was SEK 11,000 m.

Net capital gains of SEK 754 m. include the results for sales of shares in Intracom, AU-System and Ericsson Vertriebs GmbH plus an additional loss related to the divestiture of Cosir.

Net foreign currency exchange rate effect on income is positive with approximately SEK 700 m. (100). The devaluation of the Brazilian currency is the main driver of a negative translation effect in equity of approximately SEK -1,500 m.

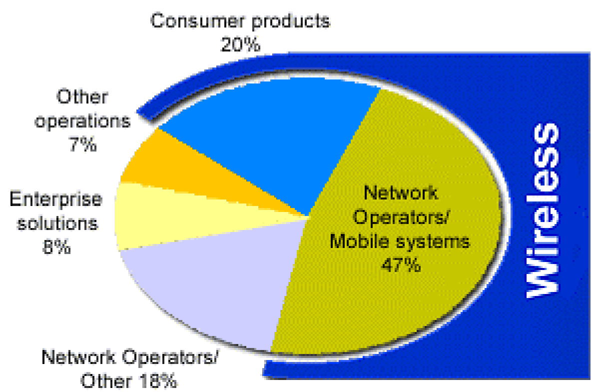
Income per share after full conversion decreased by 35 percent to SEK 1.74 (2.66). The lower tax rate reflects low taxes on this period's capital gains.

Cash flow before financing activities was SEK -18,654 m. This is due to investing activities of SEK -8,200 m., customer financing of SEK -3,500 m., and poor performance regarding working capital relating primarily to receivables and inventories of SEK -8,000 m.

Investments in tangible fixed assets were SEK 3,599 m. (3,414) of which SEK1,310 m. (1,648) in Sweden. Net investment in acquisitions were SEK 4,483 m.

Employee headcount at the end of the period was 102,378 (103,667 December 31, 1998) including additions from acquired companies of 2,128. Reductions from the restructuring program were 1,837.

BUSINESS SEGMENTS
Segment share of sales



Segment Results
(Six months year-to-date; SEK m.)

		Net Sales	Operating Margin	Operating Margin %	Employees
Network Operators	1999	64,314	6,282	10	65,909
and Service Providers	1998	52,558	4,988	9	69,024
	Change	11,756	1,294		-3,115
	Change %	22%			-5%
Consumer Products	1999	20,064	104	1	14,053
	1998	21,879	2,758	13	13,545
	Change	-1,815	-2,654		508
	Change %	-8%			4%
Enterprise Solutions	1999	8,278	-209	-3	10,783
	1998	7,535	98	1	10,126
	Change	743	-307		657
	Change %	10%			6%
Other operations	1999	6,864	451	7	10,824
	1998	6,512	607	9	10,467
	Change	352	-156		357
	Change %	5%			3%
Unallocated costs	1999		-1,466		809
	1998		-328		166
	Change		-1,138		643
	Change %				
Intersegment Sales	1999	-7,137			
	1998	-6,234			

Total	1999	92,383	5,162	6	102,378
	1998	82,250	8,123	10	103,328
	Change	10,133	-2,961		-950
	Change %	12%			-1%

Network Operators and Service Providers continues to show a very strong performance, especially regarding mobile systems. Operating margin improved substantially. The segment, which represents around two-thirds of Ericsson's total sales, increased by 22 percent to SEK 64,314 m. in the first six months of 1999.

Mobile systems sales increased by 43 percent and account for 72 percent of the segment's total sales. Ericsson anticipates a revenue growth for mobile systems of more than 30 percent for the full year. Adjusting for provisions and acquisitions, the underlying development of operating margins continues to be very strong.

Wireline systems has progressed well and reported a positive year to date operating margin of SEK 113 m.

A number of strategic contracts for advanced datacom solutions were signed with customers in all market areas.

Consumer Products reported a small operating margin of SEK 104 m. (2,758) on SEK -1,815 m. of lower sales. Unit volume, however, has developed according to plan, increasing by 31 percent to 13.9 million units during the first six months 1999. The

shortfall in profitability is a consequence of delays in the availability of new products caused by technical and production problems. The new products will be available in the market in line with already announced plans.

Product launches during 1999 will provide Ericsson with a totally new and broader mobile product portfolio. Some key products are the entry-level phone A1018 and the high-performance T28. The R380 smart phone and the Mobile Companion MC218 are advanced WAP- and EPOC-based devices. There is a rapidly growing interest in mobile devices for 3G networks. Ericsson is making substantial development efforts to meet this emerging demand.

Ericsson retained its position as one of the top three suppliers and new product launches during the year will strengthen this position.

In 1999 Ericsson was for the first time listed in "World's Most Valuable Brands", which is published once a year by Interbrand (www.interbrand.com). Ericsson finished 17th out of 60. This confirms that Ericsson is indeed benefiting from the activities to build a strong global brand.

Enterprise Solutions reported a 10 percent increase in sales to SEK 8,278 m. Operating margin was SEK -209 m., due to increased development expenses for new IP-based products and wireless technologies for the office. Managed services showed a strong increase in sales during the period.

Other operations (including energy systems, components, cables, and defense electronics) increased sales by 5 percent to SEK 6,864 m. Operating margins were slightly reduced, however, mainly within defense electronics due to lower deliveries in Sweden.

Unallocated costs increased from SEK -328 m. last year to SEK -1,466 m. This is the result of increased costs for common IT-projects regarding infrastructure and process support systems, corporate millennium project costs, larger corporate staffs in the new organization and increased goodwill amortization.

Intersegment sales consists primarily of energy systems, components and cables when sold as parts of system solutions. In some cases mobile phones are also included in systems sales.

STRATEGIC PROGRESS

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.

During the first six months of 1999 Ericsson has strengthened its leading position for next generation networking. A number of strategic investments, key customer contracts and industry agreements have been made to further open the way for next generation mobile systems.

Ericsson is now ideally positioned as the only supplier of all 2G digital technologies (i.e. GSM, TDMA, PDC, cdmaOne) including GPRS as well as all 3G technologies

(WCDMA, CDMA2000, EDGE). Ericsson is the only supplier capable of providing all of these technologies on an end-to-end basis, from infrastructure to handsets, anywhere in the world. This strategic capability combined with an unrivalled market presence helps to secure Ericsson's leading role going forward.

The Operators Harmonization Group (OHG) has reached consensus on the recommendation of a global family of standards for 3G mobile systems. The group recommendation caters for the migration and further development of all digital radio technologies. Ericsson fully supports the OHG recommendations and is already developing 3G systems based on WCDMA and CDMA2000 technologies.

Ericsson is leading the deployment of 3G systems in the marketplace as well. Ericsson has established 3G test systems in nine countries to help network operators develop 3G wireless services and to provide these customers and Ericsson with valuable hands-on experience. Ericsson has already been selected by NTT DOCOMO to supply WCDMA terminals and radio base stations in Japan. BellSouth chose Ericsson to upgrade their network in fourteen markets with TDMA systems ready to migrate to 3G and wireless Internet. Six GSM network operators have already selected Ericsson to upgrade their networks with GPRS technology for wireless Internet capabilities. Several more GSM network operators are currently evaluating Ericsson's GPRS technology for deployment into their networks.

With the acquisition of Qualcomm's infrastructure division, Ericsson has added narrow-band CDMA technology to its wireless portfolio. Ericsson now offers wireless networks based on all major radio technologies. Ericsson also offers a clear migration path for all 2G systems to 3G capabilities. The strategic acquisition also enlarges Ericsson's addressable market by 25 percent or USD 10 billion.

Ericsson has also joined the CDMA Development Group (CDG). The CDG works to support the growth of CDMA and the evolution of the technology to provide 3G services, in particular wireless Internet. This membership signifies Ericsson's commitment to support the continued development and deployment of cdmaOne and CDMA2000 technologies worldwide.

Ericsson has continued its strategy of supplementing in house development with externally acquired know-how. With externally acquired technologies, Ericsson has the opportunity to further develop its market-leading solutions for carrier class IP-based datacom networks while improving time to market. The datacom product portfolio is now robust and very competitive.

During the period, Ericsson demonstrated its ability to win broadband multi-service network contracts in competition with all major datacom equipment suppliers. In addition to the contracts with BT and Telia Denmark announced previously, Ericsson has also been awarded contracts with America Online (AOL) for WDM broadband optical networks and Diginet for the first PAN-LATIN AMERICA fixed broadband wireless network. Furthermore, Ericsson has won contracts for a number of Voice Over IP (VoIP) networks around the world including Interoute in Spain and CESCOM in Canada.

In the area of Internet services, Ericsson is focusing on a true marriage of wireless and the Internet by enabling "always on" access for users on the move. These initiatives are intended to stimulate usage of wireless Internet services, which will in turn drive increased demand for infrastructure and terminals.

In line with Ericsson's strategy, approved by the Board, to supplement in-house development with targeted acquisitions and strategic investments, Ericsson closed the following deals during the period.

Acquisitions/Investments	**Date of consolidation/ investment**	**Capability**
Subsidiaries		
Torrent Network Technologies	April 12, 1999	Aggregation routers
TouchWave	April 12, 1999	IP-based PBX
Telebit	May 20, 1999	IP router software

Qualcomm infrastructure division	May 24, 1999	CDMA infrastructure
MATEC S.A.	June 22, 1999	Enterprise solutions
Other investments		
Juniper*)	March 16, 1999	Backbone routers
Mariposa**)	April 1, 1999	ATM service access
OZ.Com	June 8, 1999	Internet applications
Saraîde	June 15, 1999	Wireless internet service

**) original investment August 29, 1997*
***) original investment June 9, 1998*

The net impact on Ericsson's income before taxes resulting from initial losses in the acquired units plus goodwill depreciation and interest on acquisition costs is around SEK -300 m.

Millennium Readiness
A Y2K program was established at corporate level in 1997. The program is designed to minimize potential disturbances that may affect Ericsson's or its customers' operations in conjunction with the new millennium. The estimated total cost for the program is SEK 2,900 m., of which SEK 2,000 m. will be spent during 1999.

Supported Ericsson products have been tested for Y2K compliance. Customers using products that are not compliant have been offered upgrades. All new products are Y2K compliant.

Contingency plans have been developed to minimize possible disturbances on Ericsson's production, processes and support systems. These contingency plans will be tested in the third quarter of 1999 and, if necessary, updated during the fourth quarter.

In Ericsson's opinion, the company's millennium readiness is high.

Restructuring Program
The industry is in the middle of a technology revolution, leading to totally new value chains and new ways of working. For Ericsson, this means that fewer man-hours are required to produce, install and maintain our products. This shift in technology and competitive environment is currently affecting 15,000 employees through outsourcing, divestitures, layoffs and job rotations. This should be seen as an ongoing process.

The restructuring program will now be implemented with stronger top management focus and greater force to ensure the realization of established plans. The time plan means that 8,800 employees will be affected during 1999 and around 6,000 in year 2000.

The net impact on total headcount may be less because of acquisitions and increases within business units where strong market demand or volume growth so require. The costs for the restructuring program will be taken on an ongoing basis and amount in total to SEK 3,500 m. During 1999, costs amounting to SEK 2,500 m. will be incurred. Estimated savings from the restructuring program amount to SEK 3,500 m. on an annual basis from year 2001 and onwards. Savings will start to appear in the fourth quarter and amount to approximately SEK 750 m. during 1999.

Outlook

As we have said before, 1999 is a year of investment and preparation for the next phase of Ericsson's development. The first six months of 1999 was a difficult period. The result is in line with what had been indicated earlier. We are not, however, satisfied with the performance. For this reason and in view of present uncertainties we at this time give a somewhat more detailed outlook.

Ericsson has taken actions to implement the strategic plan in a more operational mode in order to secure realization of Ericsson's long term objectives. For the full year, we expect development at least in line with earlier indications, which was a revenue growth around ten percent.

For 1999, the millennium issue is causing some uncertainties regarding our customers' investment- and procurement patterns during the remainder of the year. There is, however, at this stage no clearly discernible trend. In addition there are uncertainties related to development in certain markets. Despite a stronger second half, we expect income before tax including restructuring charges to be lower than in 1998.

For year 2000, although difficult to predict, Ericsson anticipates a strong improvement in performance. Ericsson anticipates an income before taxes better than in 1998. This is based on the following assumptions:

1. Continued strong growth in mobile systems.
2. Positive contribution from the recently acquired units, especially the CDMA-infrastructure operation.
3. Improved control of operating expenses and working capital plus the restructuring program will provide a sound base for further growth and profitability.
4. The new mobile phones portfolio will have a positive impact on company income.

Looking at the longer term, Ericsson is seeking a market defining role for wireless Internet. We are in effect creating the first mobile society. A society where information follows the individual - not the other way around.

Our forward looking strategy is to combine our data networking portfolio with IP and ATM development in our fixed and wireless network systems. We will offer integrated multiservice next generation networks based on IP and ATM. In a few short years, networks will run principally on IP and ATM - the technology that powers the Internet. Wireless will be the primary way to access those networks. Mobility in all of its aspects will be the value added differientiator from today's services. A marriage of wireless and the Internet will enable "always on" mobile access for users on the move.

Wireless Internet with mobility is the growth opportunity in the industry. It is already in mobile phones and laptops. Wireless will be in all sorts of PDAs and other portable data devices. The future world of the Internet will not be PC centric. It will be mobile device centric.

It is not only the devices that are changing. The networks behind them are changing too. Being primarily a network infrastructure company, this is of strategic importance to Ericsson. Ericsson is well positioned to offer clear evolution paths for our customers to quickly transition to next generation networks with wireless Internet capabilities. With these preconditions, Ericsson has a unique opportunity to improve revenue and profitability to remain the leading supplier in a mobile enabled world.

Stockholm July 23, 1999

Lars Ramqvist Chairman and CEO	Kurt Hellström President

(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 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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CONSOLIDATED INCOME STATEMENT (unaudited)

SEK Millions	**Apr-June 1999**	**Apr-June 1998**	**Jan-June 1999**	**Jan-June 1998**
Net sales	50,812	43,894	92,383	82,250
Cost of sales	-30,301	-24,414	-54,009	-46,872
GROSS MARGIN	20,511	19,480	38,374	35,378
Gross Margin as percent of net sales	40.4%	44.4%	41.5%	43.0%
Research and development and other technical expenses	-8,371	-6,905	-15,297	-12,842
Selling expenses	-7,775	-5,780	-14,399	-11,086
Administrative expenses	-1,972	-1,752	-4,799	-3,768
Other operating revenues	829	201	1,049	378
Share in earnings of associated companies	154	10	234	63
OPERATING MARGIN	3,376	5,254	5,162	8,123
Operating as percentage of net sales	6.6%	12.0%	5.6%	9.9%
Financial income	707	539	1,330	1,106
Financial expenese	-1,088	-496	-2,005	-994
INCOME AFTER FINANCIAL ITEMS	2,995	5,297	4,487	8,235
Minority interest in income before taxes	-39	-363	-229	-664
INCOME BEFORE TAXES *	2,956	4,934	4,258	7,571

TAXES	-668	-1,554	-1,065	-2,385
NET INCOME *	2,288	3,380	3,193	5,186
** Including capital gain/losses, net*	*676*	*106*	*754*	*86*

CONSOLIDATED BALANCE SHEET

SEK millions	**June 30 1999**	**Dec 31 1998**	**June 30 1998**
FIXED ASSETS			
Intangible assets	10,280	6,354	1,726
Tangible assests	23,068	22,516	19,763
Financial assets			
Equity in associated companies	2,869	2,777	2,168
Other investments	1,664	1,438	1,146
Long-term customer financing	6,088	5,937	5,095
Other long-term receivables	3,227	2,902	3,369
Total fixed assets	47,196	41,924	33,267
CURRENT ASSETS			
Inventories	30,378	26,973	25,252
Receivables			
Accounts receivable - trade	57,164	57,737	48,904
Other receivables	31,800	22,589	22,072
Short-term cash investments, cash and bank	12,213	18,233	22,878
Total current assets	131,555	125,532	119,106
TOTAL ASSETS	**178,751**	**167,456**	**152,373**

STOCKHOLDERS´ EQUITY	61,129	63,112	54,501
MINORITY INTEREST IN EQUITY OF CONSOLIDATED SUBSIDIARIES	2,022	2,051	4,273
CONVERTIBLE DEBENTURES	5,670	6,241	6,100
INTEREST-BEARING PROVISIONS AND LIABILITIES	37,042	21,233	19,824
NON-INTEREST-BEARING PROVISIONS AND LIABILITIES	72,888	74,819	67,675
TOTAL STOCKHOLDERS´ EQUITY, PROVISIONS AND LIABILITIES	**178,751**	**167,456**	**152,373**

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK millions	**Jan-June 1999**	**Jan-June 1998**
Cash flow from opertating activities	-10,473	-1,091
Investments	-8,181	-3,833
Cash flow before financing activities	-18,654	-4,924
Financing	12,758	-1,284
Effect of exchange rate changes on cash	-124	-41
NET CHANGE IN CASH	-6,020	-6,249

TREND OF OPERATIONS IN BRIEF

SEK millions	Jan-June 1999	Jan-June 1998	Changes in %
Net sales	92,383	82,250	12%
Income before taxes	4,258	7,571	-44%
Net income	3,193	5,186	-38%
Average number of shares after full conversion	1,997	1,997	
Income per share, SEK	1.74	2.66	-35%
Income per share in accordance with U.S. GAAP, SEK	2.24	3.22	-30%
Equity ratio	35.3%	38.6%	
Cash flow before financing activities	-18,654	-4,924	
Additions to tangible fixed assets	3,599	3414	5%
Total depreciation on tangible and intangible assets	3,376	2,851	18%
-Of which goodwill	303	131	
Number of employees, end of period	102,378	103,328	-1%

NET SALES BY BUSINESS SEGMENT

NET SALES BY MARKET AREA

SEK Millions	Apr-June 1999	Apr-June 1998	Jan-June 1999	Jan-June 1998
Europe, Middle East and Africa *	26,866	22,384	48,995	41,882
North America	7,208	3,743	11,387	8,074
Latin America	7,266	6,771	12,186	12,348
Asia Pacific	9,472	10,996	19,815	19,946

Total	50,812	43,894	92,383	82,250
* Of which Sweden	2,183	2,381	3,868	4,439
* Of which EU	18,038	16,633	34,299	31,400

Closing exchange rate SEK/USD = 8.4690