ERICSSON

Interim Report
Nine months ended September 30, 1999
October, 1999

Interim Report Nine month report ended September 30, 1999

Overview

- Continued strong sales growth, over 20 percent for the Network Operators and Service providers segment, driven by Mobile Systems with an over 40 percent increase, and increased operating margin.
- Positive reception of new product portfolio in Consumer Products with benefits from the fourth quarter.
- Action program for improving internal efficiency and cost structure starting to show results. Confirmed profitability improvement for Wireline Systems. Positive cash flow in third quarter.
- The strategic direction is right in the forefront of where the industry is heading – Mobile Internet
- Outlook 1999: Pre tax earnings of SEK 15-16 billion is achievable.

SEK m.	Nine Months	Third Quarter
Orders	157,812	58,139
Sales	141,648	49,265
Income before taxes	7,907	3,649
Earnings per share (SEK)	3.07	1.33
Cash flow	-12,000	+6,700

Ericsson's order intake increased for the period by 13 percent and for the third quarter by 36 percent. The increase in orders for the period is mainly related to the US, Japan and the European market area. The order intake improved in Asia Pacific during the third quarter, but is down 8 percent for the nine-month period, which mainly relates to China.

Net sales for the nine-month period were SEK 141,648 million, an increase of 14 percent for comparable units. The income before taxes decreased by 35 percent to SEK 7,907 m. compared to 1998. Earnings per share year to date were SEK 3.07 (4.25).

Continued strong performance of Mobile Systems helped to offset negative results in Consumer Products and in the Enterprise Solutions segment.

Third quarter sales were SEK 49,265 m., up 14 percent over last year. Income before taxes, SEK 3,649 m., down 19 percent from last year, but better than last quarter, mainly due to reduced operating expenses. The cash flow for the third quarter was strong, SEK

+6.7 billion, improving year-to-date cash flow to SEK– 12,0 b.. Earnings per share were SEK 1.33 (1.59) for the third quarter.

Sales and operating income

Ericsson increased ***net sales*** by 13 percent year to date and by 14 percent compared with the third quarter of last year. Strong sales growth in North America and Europe from the Network Operators and Service Providers business segment were the main contributors. Sales in the third quarter are in line with the normal seasonality of Ericsson's business and declined 3 percent compared with the previous quarter.

Overall ***gross margin*** declined to 41.1 (43.2) percent. Gross margins for Mobile Systems and Wireline Systems remained robust. The decline in overall gross margins from last year is mainly a consequence of significantly lower margins for Consumer Products.

Operating expenses for the nine months were SEK 50,659 m., or 36 percent of sales, an increase of 21 percent over last year. For the third quarter, operating expenses were SEK 16,164 m., or 33 percent of sales. Although the rate of increase has been reduced some in the third quarter, the level of selling, general and administration expenses is still of great concern and subject to reduction efforts.

Expenses for R&D year to date were SEK 23,250 m., which remains around 16 percent of sales. The R&D expenses include increased efforts in areas such as 3G mobile systems, datacom technologies (IP and ATM) and new mobile phones.

Operating income was SEK 8,903 (12,803) m. for the nine month period, a decrease by 30 percent from last year. An increase of SEK 3,011 m. for Network Operators and Service Providers was offset by lower results in all other segments, mainly Consumer Products, SEK -3,732 m. lower than in the same period last year. Costs for the restructuring program amount to SEK 1,500 m. so far, of which SEK 900 m. during the third quarter. Benefits amounted to SEK 300 m. giving a net cost of SEK 1,200 m. for the period. Included in these charges are SEK 400 m. for a couple of projects in the Dedicated Networks unit.

For the third quarter, operating income increased by 11 percent compared to the second quarter, mainly due to lower operating expenses.

The ***operating margin*** declined from 10.2 percent of sales in 1998 to 6.3 percent.

Financial net for the first nine months was SEK– 803 (124) m., related to negative cash flow and increased borrowings. During the third quarter the financial net improved, mainly due to positive cash flow.

Capital gains net were SEK 1,115 m., including among other factors profits from the sale of shares in Powertel (SEK 396 m.) during the third quarter and Intracom (SEK 910 m.) in the second quarter. Capital gains associated with Powertel are accounted for as part of selling expenses.

Net foreign currency exchange rate effects on income were positive with approximately SEK 200 m. in the third quarter and SEK 900 m. year to date. The devaluation of the Brazilian currency is the main cause of negative translation effects in stockholders' equity of approximately SEK– 2,700 m..

Net income for the period after 27 percent tax was SEK 5,807 m., a decrease of 30 percent compared with 1998. For the third quarter, net income after 28 percent tax was SEK 2,614 m., an increase of 14 percent compared with the second quarter of 1999. The low tax rate is a result of non-taxable capital gains.

Income per share, after full conversion, decreased by 28 percent to SEK 3.07 (4.25) for nine months and was SEK 1.33 (1.59) for the third quarter.

Income per share in accordance with US GAAP for the nine months was SEK 3.83 (5.13) and SEK 1.59 (1.91) for the third quarter. The major difference between income per share per Swedish GAAP and US GAAP is the capitalization of R&D expenses for software products.

Cash flow before financing activities was SEK– 12.0 b. year to date, reflecting increased working capital, investments in property, plant and equipment plus acquisitions. During the third quarter, cash flow improved substantially by SEK 6.7 b., due to higher income and reductions in customer financing- and other receivables.

Number of employees at the end of the period was 102,777 (103,667 at December 31, 1998) including additions from acquired companies of approximately 2,000. The restructuring program has affected 5,300 employees so far this year.

Acquired units. The previously announced acquisitions of Qualcomm infrastructure division, Torrent Networking Technologies and Touchwave Inc., have been concluded as well as investments in Juniper Networks, Saraïde.com, OZ.COM and Telebit A/S. The total costs for these acquisitions and investments amount to approximately SEK 5.3 b.. The negative effect on earnings after taxes through the third quarter is approximately SEK 900 m.. Factors included in this estimate are operating losses, depreciation of goodwill and intangible assets plus interest.

Investments in tangible assets were SEK 6,093 (5,048) m. of which SEK 2,706 (2,448) m. in Sweden.

Market development

Ericsson showed strong sales growth of 42 percent within the market area North America and 16 percent within Europe, Middle East and Africa (EMEA). Sales in Latin America increased by 9 percent, while sales in Asia Pacific decreased by 2 percent.

Table; External sales by market area/by segment

	EMEA	Asia Pacific	Latin America	North America
TOTAL SEK b.*)	75.4	29.7	18.9	17.6
Network Operators	65%	76%	79%	71%
Consumer Products	21%	20%	15%	24%
Enterprise Solutions	8%	3%	4%	2%
Other Operations	6%	1%	2%	3%

**) Internal sales between the segments are excluded*

Europe, Middle East and Africa

Market development remains strong, driven primarily by the growth in Mobile Systems. The positive trend was reinforced by customer orders for advanced Internet applications and next generation network solutions developed by Ericsson. Significant business increases were reported in Italy, the Netherlands, Spain and Turkey.

Asia Pacific

Market development within Asia Pacific was mixed. Strong sales increases were generated in Japan, Taiwan and India. These increases were more than offset by lower sales in China, Singapore, Malaysia, Thailand and the Philippines. However, during the quarter, there was a moderate resurgence of new contracts from operators within China and Thailand, totaling more than SEK 1,200 m.. The slow down in China, which is expected to be temporary, is a result of regulatory uncertainty and restructuring of Chinese operators. For the full year, sales are likely to be lower than last year. The financial instability in the region still affects sales in many markets.

Latin America

Market development within Latin America is also mixed. Sales in Brazil and Mexico continue to improve, more than compensating for lower sales in the other markets within the region. Developments within Argentina and Chile look promising, but financial instability within the region in general still creates uncertainties.

North America

Sales growth in North America remains extraordinary as a result of very strong demand for mobile telephone services. Due to the very successful introduction of “One Rate” plans, subscriber growth in the US has started to match that of other markets. AT&T has announced a new “three vendor supply strategy” to improve their ability to meet the subscriber demand in all of their markets. The consequences of AT&T’s new strategy are that Ericsson will now serve approximately 1/3 of AT&T’s network. Impact on

Ericsson's sales and profit in the US is uncertain in the short term but should be more than offset by the strong market growth over the longer term.

Top 10 Markets

Market	Sales (SEK b.)	Change from last year
United States	16.6	48%
China	12.6	-21%
United Kingdom	10.5	10%
Brazil	10.0	26%
Spain	8.6	104%
Italy	8.0	7%
Turkey	6.4	145%
Sweden	5.5	-16%
Japan	5.1	61%
Germany	3.9	-9%

Business segments

Table: Segment Results 9 months 1999

	Net sales SEK m.	Growth %	Operating Income SEK m.	Operating Margin %	Employees
Network Operators	99,208	23	11,771	12	65,359
Consumer Products	29,797	-9	-415	-1	14,970
Enterprise Solutions	11,949	21	-289	-2	10,262
Other Operations	11,326	2	234	2	11,474
Unallocated costs			-2,398		712
Less: Intersegment sales	-10,632	17			
ERICSSON	141,648	13	8,903	6	102,777

Network Operators and Service Providers

Sales growth continued to show a very strong development, especially regarding Mobile Systems during the nine-month period and in particular in North America. Operating margin also continued to improve. The segment now represents 69 percent of Ericsson's total turnover.

Sales grew by 23 percent to SEK 99,208 (80,876) m. during the period. Operating margin was 12 (11) percent for the period. For the third quarter, operating margin was 16 (13) percent.

Sales of Mobile Systems increased by 43 percent to SEK 72 b. and account for 73 percent of the segment's total sales. Ericsson believes a sales growth for Mobile Systems in the 30 to 35 percent range for the full year to be achievable. The underlying development of the operating margin continues to be positive, with gross margins remaining stable for Mobile Systems.

The results of Wireline Systems continued to improve and were positive for the period. Sales decreased by 4 percent. Operating income was SEK 481 (223) m. for the nine-month period. The improvement of operating income during the nine-month period demonstrates that the turn around of the Wireline business is continuing in the right direction.

Furthermore, new business is developing from Ericsson's next generation network and network migration solutions, with substantial orders from several customers such as BT of the UK, Dutch operator KPN and Diginet of Latin America. These projects underline the smooth migration path that Ericsson offers operators for next generation networks. Ericsson has also signed its first wireless broadband (LMDS) contract and is participating in important field trials with NEXTLINK in the US.

Enterprise Solutions

Enterprise Solutions reported a 21 percent increase in sales. Excluding internal sales, sales growth was around 8 percent compared with last year. The loss of SEK– 289 (4) m. was mainly related to development expenses involving Wireless Office. The external sales amounted to SEK 7,106 m. for the period and SEK 2,052 m. in the third quarter.

The restructuring program for the segment is on track, with the full effect to be realized during next year. The intent of the restructuring is to focus the segment's business activities on growing the business consulting services, on bringing the power of mobility to the enterprise, and to further develop the product and system portfolio to IP and wireless capabilities. As part of the restructuring program, the Dedicated Networks unit has been transferred to Other Operations, since it is no longer core business for Enterprise Solutions.

Consumer Products

Consumer Products reported sales of SEK 29,797 (32,701) m. and generated a loss of SEK– 415 (3,317) m.. Sales were down 9 percent compared to last year and down 6 percent from the second quarter. Unit volume increased 29 percent over last year to 21 million units. However, the ramp-up of production for the new product portfolio has been slower than planned, especially for the high-volume units like A1018, T10 and the T18 for the TDMA standard. This has affected sales and profitability negatively, even though the customer demand for the new models is very strong. A recovery in terms of production capacity is expected in time for the segment to meet fourth quarter objectives.

As of mid-October, production of the T28 was at the targeted rate. Capacity to fulfill customer demand will not be achieved until the first quarter of next year.

For the full year, Ericsson previously estimated a total market volume of 240 to 260 million units. At this time, Ericsson anticipates the market to be in the upper end of this range. Ericsson's plan was to capture a 15 percent unit volume market share. This plan required Ericsson to produce 32 to 39 million units in 1999. Considering the progress of the production ramp-up during the third quarter, production will be in the lower end of the plan. This implies a unit market share of 12 to 13 percent for the full year. Double-digit operating margins for the fourth quarter isolated are still possible, but are more of a challenge to achieve.

Other Operations

Operating income for Other Operations was SEK 234 (1,146) m.. The SEK– 912 m. reduction is mainly driven by SEK– 400 m. project costs in Dedicated Networks, SEK– 400 m. of lower operating income for the Defense electronics operations, and lower results in the Ericsson/ Hewlett-Packard operations.

Unallocated costs were SEK -2,398 m., an increase from last year of SEK -1,974 m., and SEK– 932 m. during the third quarter. 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. It has been decided to allocate parts of these costs (SEK 1,600 m.) to the business segments in the fourth quarter.

Performance improvement

The actions were described in connection with the six months report. The management has focused on operational performance, including issues such as time to market, cost savings, improved cash flow and the restructuring program.

The restructuring program is continuously updated and will now affect 16,000 employees during 1999/2000, around 40 percent via outsourcing and the rest through job-rotation, divestitures and lay-offs. The estimated cost savings have increased to SEK 3,700 m. on an annual basis from 2001. Costs for the restructuring program amount to SEK 1,500 m. year to date, of which SEK 900 m. during the third quarter. Benefits amounted to SEK 300 m. giving a net cost of SEK 1,200 m. for the period.

In order to improve return on capital, Ericsson has decided to sell its real estate assets around the world. Additional actions will be taken on an ongoing basis to reduce capital employed.

Millennium readiness

A millennium 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 millennium shift. 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 for product support include establishment of an early warning system and event control centers. These plans have been tested in a worldwide exercise on September 9th and will be tested again throughout the autumn to make final adjustments.

Contingency plans for the total supply chain have been developed and tested. Tests will be performed throughout the autumn to make final adjustments.

In Ericsson’s opinion, its millennium readiness is high.

Strategic progress

During the first nine months of 1999, a number of strategic investments and a number of key customer contracts and industry agreements have been made. All of these position Ericsson extremely well for the upcoming Mobile Millennium, a truly mobile society with “always on, anywhere, anytime” communications. Ericsson’s objective is to secure a market-defining role by combining Ericsson’s industry leading position in wireless communications with Internet technologies and applications. Ericsson is working closely with both mobile and fixed network operators and service providers to develop next-generation multi-service networks that leverage the R&D and market investments for 3G and IP/ATM datacom technologies.

Ericsson is increasingly confident that the objectives and strategies for the Mobile Millennium are valid. Market interest for mobile Internet is beginning to take off with Japan and Western Europe leading the way. Expectations of a faster roll-out of new Internet based wireless services combined with the continued strong growth of mobile subscribers has caused Ericsson to substantially increase its forecast of the total number of mobile users for the coming years.

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. The company is developing mobile Internet applications together with customers in such areas as banking and finance, media and publishing, travel and transport, and retail. Ericsson has established partnerships with leading companies in selected industry segments; among them Reuters for on-line market news and financial data, and vehicle manufacturer Scania for solutions tailored to the needs of the transport industry. Together with Virgin Radio, Ericsson is also trialing radio broadcasting over 3G mobile networks. These initiatives are intended to stimulate usage of mobile Internet services, which in turn will drive increased demand for wireless infrastructure and mobile terminals.

Wireless Applications Protocol (WAP) is another example of Ericsson’s strategy for leadership in Mobile Internet. WAP is a major enabler of mobile Internet that has become a hot spot in the industry. Ericsson was one of the early proponents of WAP. With such an early start, Ericsson has developed the broadest WAP portfolio available in the marketplace, including consumer terminals, applications development support, business consultancy and especially network systems.

The results of the strategy are starting to emerge. Ericsson has been awarded more than 20 WAP systems contracts so far. Ericsson introduced the world's first WAP enabled terminal on the market, the mobile companion MC218, and has shown two additional WAP terminals that will be launched in early 2000. Ericsson has established a worldwide WAP consulting organization within the **Ericsson Business Consulting** unit. By the end of 1999, this organization will employ around 400 consultants to serve our customers. The number of WAP qualified and experienced consultants employed by Ericsson is expected to be further increased during next year.

Ericsson has also taken a lead in the rapidly emerging market for **GPRS**, which provides packet data capability for mobile networks. Ericsson is delivering GPRS systems to more than 45 leading-edge operators around the world for field trials.

Ericsson has initiated the **GPRS Applications Alliance (GAA)**, a cross-industry initiative designed to serve as a catalyst in the advancement of applications based on GPRS. Industry leaders such as IBM, Lotus, Oracle, Palm Computing and Symbian have joined GAA as charter members.

Ericsson is leading the deployment of **3G systems** in the marketplace and has been selected by a number of network operators and service providers to supply 3G technologies. AT&T-Cantel is the latest operator to chose Ericsson to help evolve their current TDMA networks to third generation network capabilities with 3G-EDGE technology.

Ericsson has successfully integrated Qualcomm's **CDMA infrastructure** division that was acquired during the second quarter of 1999. Ericsson signed its first contract for cdmaOne-based wireless equipment with Mirror S.A. in Brazil and has also announced an agreement with Leap Wireless International to install a mobile system based on the first phase of the 3G version of the cdma2000 standard.

Ericsson is ideally positioned as the **only supplier** of all 2nd generation wireless technologies (GSM, TDMA, PDC, cdmaOne) including WAP and 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.

In **mobile terminals**, Ericsson continued to introduce a new line of mobile phones and terminals, in practice revamping the entire portfolio. New models presented during the third quarter include the WAP phone R320 and the T28 World. New models for the TDMA and Japanese PDC market were also introduced.

Ericsson announced a number of innovative gadgets, new communications tools that can be attached to mobile phones. These included the Chatboard™, a snap on keyboard that facilitates messaging over Short Messaging Services (SMS) and mobile e-mail, and a small FM-radio, as well as an MP3-player, that is part of a hands-free headset, that automatically switches over to telephone mode when a call is received.

The **Wireline Systems** unit once again demonstrated Ericsson's ability to win multi-service network contracts. Ericsson has now been awarded a number of next generation network contracts based on Ericsson's own solution. The next generation network solution leverages the AXE system in combination with Ericsson's AXD 301 ATM switch to efficiently integrate voice and datacom services in a single multi-service network. In addition to the contracts with BT and Telia Denmark signed earlier this year, Ericsson also secured a strategic contract with Dutch operator KPN for delivery of the next generation network solution.

Ericsson has also been awarded contracts with Diginet for the first PAN-LATIN AMERICA fixed broadband wireless network using the new **Mini-Link** broadband wireless access technology combined with the AXD 301 ATM switch. Furthermore, Ericsson continues to win contracts for Voice Over IP (VoIP) networks around the world.

In the **enterprise** market, Ericsson has strengthened its position as a leading provider of managed services and business consulting. In managed services, Ericsson signed a strategic five-year contract with London's Metropolitan Police Services.

Outlook

For the full year 1999, we believe that sales growth in a range of 12 to 15 percent is possible. This is significantly better than the previous expectation of around 10 percent. Furthermore, pre-tax earnings in the range of SEK 15,000 m. to 16,000 m. should be achievable.

The assumptions for sales growth are based on a continued strong performance by Network Operators and Service Providers, especially within Mobile Systems.

Factors affecting achievements of these targets are successful ramp-up of new models for Consumer Products, particularly the new high-end models, and a resurgence of our overall business in China.

The range for pre-tax earnings is based on the same assumptions as for sales plus improvements in operational performance.

Ericsson anticipates a strong improvement in performance for year 2000. We are confident that the positive trend that has started to emerge during the third quarter will continue into next year. This confidence is based, among other things on the positive order intake, which we are reporting. Assumptions for improvements next year are:

1. Continued strong growth in Mobile Systems. So far this year, Ericsson has grown faster than the market. Ericsson has the dominant share of the market and we must realistically expect tougher competition. Consequently, we are continuously striving to improve our competitiveness.
2. Positive contributions from recently acquired units. Based on customer reactions, the acquisitions are beneficial from an overall market development perspective. They have strengthened Ericsson's capability to provide end-to-end solutions for IP/Internet and telephone applications.

3. Improved control of operating expenses and working capital plus the restructuring program will provide a sound base for further growth and profitability. We have started to see a positive trend from the restructuring program. The expected annual benefit from year 2001 for the program has increased to SEK 3.7 b.. The pace of increase in operating expenses has started to slow down. Our target for year-end 2000 remains 30 percent of sales compared with the current ratio of 36 percent. Cash flow and working capital remain a concern. Focus will be given to improving accounts receivable and inventories. Additional actions to improve return on capital, like the decision to sell our real estate holdings, will be taken on an ongoing basis.
4. The new mobile phone portfolio will have a positive impact on company income. We have a positive view for the fourth quarter and next year regarding the new models. The target is to regain a market share for next year of 15 percent, with at least 10 percent operating margins.

For the longer term, we remain optimistic of the future of the business. The fundamentals driving the development of the business are strong. In fact, we have recently increased our forecast for the number of mobile subscribers for 2003 and we now believe that there will be more than one billion mobile subscribers worldwide by year-end 2003. We also expect that there will be almost 400 million mobile Internet users at the end of 2004. Some 120 million of these users are expected to be served by 3G technologies. Ericsson is extremely well positioned and should benefit substantially from the strong market development.

Stockholm October 22, 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	**July-Sep 1999**	**July-Sep 1998**	**Jan-Sep 1999**	**Jan-Sep 1998**
Net sales	49,265	43,146	141,648	125,396
Cost of sales	-29,487	-24,301	-83,496	-71,173
Gross margin	19,778	18,845	58,152	54,223
Gross margin as percentage of net sales	40.1%	43.7%	41.1%	43.2%
Research and development and other technical expenses	-7,953	-6,803	-23,250	-19,645
Selling expenses	-6,071	-5,422	-20,470	-16,508
Administrative expenses	-2,140	-2,114	-6,939	-5,882
Other operating revenues	109	129	1,158	507
Share in earnings of associated companies	18	45	252	108
Operating income	3,741	4,680	8,903	12,803
Operating margin as percentage of net sales	7.6%	10.8%	6.3%	10.2%
Financial income	381	688	1,711	1,794
Financial expenses	-509	-676	-2,514	-1,670

Income after financial items	3,613	4,692	8,100	12,927
Minority interest in income before taxes	36	-166	-193	-830
Income before taxes *)	3,649	4,526	7,907	12,097
Taxes	-1,035	-1,416	-2,100	-3,801
Net income *)	2,614	3,110	5,807	8,296
*) Including capital gains/losses, net	361		1,115	92

CONSOLIDATED BALANCE SHEET

SEK millions	**Sep 30 1999**	**Dec 31 1998**	**Sep 30 1998**
Fixed assets			
Intangible assets	10,856	6,354	4,039
Tangible assets	23,405	22,516	20,033
Financial assets			
Equity in associated companies	2,864	2,777	2,221
Other investments	1,583	1,438	1,536
Long-term customer financing	5,507	5,937	4,038
Other long-term receivables	3,066	2,902	3,333
Total fixed assets	47,281	41,924	35,200
Current assets			
Inventories	31,068	26,973	27,475
Receivables			
Accounts receivable - trade	55,977	57,737	49,033
Other receivables	27,578	22,589	21,412
Short-term cash investments, cash and bank	20,521	18,233	21,494
Total current assets	135,144	125,532	119,414
Total assets	**182,425**	**167,456**	**154,614**
Stockholders' equity	62,447	63,112	57,593

Minority interest in equity of consolidated subsidiaries	1,919	2,051	2,075
Convertible debentures	5,720	6,241	6,180
Interest-bearing provisions and liabilities	38,811	21,233	20,364
Non-interest-bearing provisions and liabilities	73,528	74,819	68,402
Total stockholders' equity, provisions and liabilities	**182,425**	**167,456**	**154,614**

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CONSOLIDATED STATEMENT OF CASH FLOWS		
SEK millions	**Jan-Sep 1999**	**Jan-Sep 1998**
Cash flow from operating activities	-1,681	3,897
Investments	-10,277	-10,844
Cash flow before financing activities	-11,958	-6,947
Financing	14,792	-722
Effect of exchange rate changes on cash	-546	36
Net change in cash	2,288	-7,633

TREND OF OPERATIONS IN BRIEF			
SEK millions	**Jan-Sep 1999**	**Jan-Sep 1998**	**Changes in %**
Net sales	141,648	125,396	13%
Income before taxes	7,907	12,097	-35%
Net income	5,807	8,296	-30%

Average number of shares after full conversion, million	1,997	1,997	
Income per share, SEK	3.07	4.25	-28%
Income per share in accordance with U.S. GAAP, SEK	3.83	5.13	-25%
Equity ratio	35.3%	38.6%	
Cash flow before financing activities	-11,958	-6,947	
Additions to tangible fixed assets	6,093	5,048	21%
Total depreciation on tangible and intangible assets	5,228	4,407	19%
- Of which goodwill	484	216	
Number of employees, end of period	102,777	104,001	-1%

NET SALES BY BUSINESS SEGMENT
Year to date

	1999			**1998***			**Changes in %**		
SEK millions	**3 m**	**6 m**	**9 m**	**3 m**	**6 m**	**9 m**	**3 m**	**6 m**	**9 m**
Network Operators and Service Providers	28,505	64,314	99,208	23,702	52,558	80,876	20%	22%	23%
Consumer Products	9,696	20,064	29,797	11,045	21,879	32,701	-12%	-8%	-9%
Enterprise Solutions**	3,446	7,841	11,949	3,195	6,603	9,843	8%	19%	21%
Other operations**	3,312	7,301	11,326	3,443	7,444	11,101	-4%	-2%	2%
Less: Intersegment sales	-3,388	-7,137	-10,632	-3,029	-6,234	-9,125	12%	14%	17%
Total	41,571	92,383	141,648	38,356	82,250	125,396	8%	12%	13%

* Based on proforma figures
** Restated for transfer of Dedicated Networks to Other operations

NET SALES BY BUSINESS SEGMENT
Isolated quarters

	1999			1998*			Changes in %		
SEK millions	3 m	6 m	9 m	3 m	6 m	9 m	3 m	6 m	9 m
Network Operators and Service Providers	28,505	35,809	34,894	23,702	28,856	28,318	20%	24%	23%
Consumer Products	9,696	10,368	9,733	11,045	10,834	10,822	-12%	-4%	-10%
Enterprise Solutions**	3,446	4,395	4,108	3,195	3,408	3,240	8%	29%	27%
Other operations**	3,312	3,989	4,025	3,443	4,001	3,657	-4%	0%	10%
Less: Intersegment sales	-3,388	-3,749	-3,495	-3,029	-3,205	-2,891	12%	17%	21%
Total	41,571	50,812	49,265	38,356	43,894	43,146	8%	16%	14%

* Based on proforma figures
** Restated for transfer of Dedicated Networks to Other operations

ORDERS BOOKED BY BUSINESS SEGMENT
Year to date

	1999			1998*			Changes in %		
SEK millions	3 m	6 m	9 m	3 m	6 m	9 m	3 m	6 m	9 m
Network Operators and Service Providers	32,672	69,879	110,916	30,772	67,691	95,033	6%	3%	17%
Consumer Products	10,116	20,196	31,948	11,461	21,845	33,485	-12%	-8%	-5%
Enterprise Solutions**	4,259	8,835	13,290	3,371	6,672	10,266	26%	32%	29%
Other operations**	3,795	8,134	12,769	3,615	7,529	10,844	5%	8%	18%
Less: Intersegment sales	-3,381	-7,371	-11,111	-3,046	-6,246	-9,384	11%	18%	18%

Total	47,461	99,673	157,812	46,173	97,491	140,244	3%	2%	13%

* Based on proforma figures
** Restated for transfer of Dedicated Networks to Other operations

ORDERS BOOKED BY BUSINESS SEGMENT
Isolated quarters

	1999			1998*			Changes in %		
SEK millions	3 m	6 m	9 m	3 m	6 m	9 m	3 m	6 m	9 m
Network Operators and Service Providers	32,672	37,207	41,037	30,772	36,919	27,342	6%	1%	50%
Consumer Products	10,116	10,080	11,752	11,461	10,384	11,640	-12%	-3%	1%
Enterprise Solutions**	4,259	4,576	4,455	3,371	3,301	3,594	26%	39%	24%
Other operations**	3,795	4,339	4,635	3,615	3,914	3,315	5%	11%	40%
Less: Intersegment sales	-3,381	-3,990	-3,740	-3,046	-3,200	-3,138	11%	25%	19%
Total	47,461	52,212	58,139	46,173	51,318	42,753	3%	2%	36%

* Based on proforma figures
** Restated for transfer of Dedicated Networks to Other operations

NET SALES BY MARKET AREA

SEK millions	**July-Sep 1999**	**July-Sep 1998**	**Jan-Sep 1999**	**Jan-Sep 1998**
Europe, Middle East and Africa*	26,423	23,331	75,418	65,213
North America	6,223	4,308	17,610	12,382
Latin America	6,730	5,039	18,916	17,387
Asia Pacific	9,889	10,468	29,704	30,414

Total	49,265	43,146	141,648	125,396
* Of which Sweden	1,593	2,100	5,461	6,539
* Of which EU	18,112	17,152	52,411	48,552

Closing exchange rate SEK/USD = 8.1870