

## Ericsson 1999 report

- *Best quarter ever: orders, sales, income and cash flow.*
- *Further improvement of leading position in mobile systems, sales growth exceeding 40 percent.*
- *Strong volume increase in mobile phones during fourth quarter, sales up 33 percent and operating margin reached 5.6 percent.*
- *Established turn around in Wireline Systems, several strategic orders for migration of networks into next generation.*
- *Outlook 2000; revenue growth more than 20 percent and substantial growth in earnings.*

SEK billion	Full year 1999	Change %	Fourth Quarter	Change %
<b>Orders</b>	<b>223.8</b>	<b>19</b>	<b>66.0</b>	<b>40</b>
<b>Sales</b>	<b>215.4</b>	<b>17</b>	<b>73.8</b>	<b>25</b>
<b>Income before taxes</b>	<b>16.4</b>	<b>-10</b>	<b>8.5</b>	<b>39</b>
<b>Earnings per share (SEK)</b>	<b>6.17</b>	<b>-7</b>	<b>3.10</b>	<b>29</b>
<b>Cash flow before financing</b>	<b>-2.4</b>	<b>---</b>	<b>+9.5</b>	<b>---</b>

### SUMMARY

*For the fourth quarter of 1999 the company reports record breaking levels of orders, sales, income and cash flow. Mobile systems were the primary contributors to the results with strong performance in all market areas. Total orders received during the quarter were up 40 percent compared with the fourth quarter of 1998. Sales during the fourth quarter increased by 25 percent and income before taxes rose 39 percent.*

*For the full year, orders and sales grew by 19 percent and 17 percent respectively. The strong performance of mobile systems and the weaker performance of mobile phones, were the main factors affecting the company's results. Income before taxes for the full year was SEK 16.4 b, a decline of 10 percent compared with 1998. Earnings per share were SEK 6.17 (6.66).*

*Considerable strategic progress has been made during the year giving Ericsson a forefront position when the market for mobile Internet now starts to take off.*

*Ericsson is the undisputed market leader in mobile infrastructure and among the top three in mobile phones.*

*Sales growth was led by a 39 percent increase in the US, again Ericsson's single largest market. Europe continued to show strong growth. In Asia Pacific, Japan showed a 78 percent growth.*

## ORDERS AND SALES

Orders increased by 19 percent to SEK 223.8 b. for the year and showed a strong development during the fourth quarter. Mobile systems orders increased by 30 percent. Total orders were affected by slow development in China and for Consumer Products.

Ericsson increased net sales by 17 percent to SEK 215.4 b. for 1999. For comparable units sales grew by 18 percent. A continued strong growth in mobile systems of 41 percent was achieved within the business segment Network Operators and Service Providers. Rapid sales increase in the US and in several European countries are the main contributors. For the fourth quarter isolated sales grew by 25 percent.

## MARGINS AND OPERATING INCOME

The gross margin declined from 42.9 to 41.6 percent. The gross margins in mobile systems were stable, but declined for mobile phones.

Operating expenses increased by SEK 13.3 b. or 22 percent to SEK 74.4 b., partly related to additional costs for our millennium project and for restructuring. The largest increase is in selling expenses caused by marketing communication in mobile phones, costs for process improvements in the supply chain and SEK 2.0 b. of increased risk provisions for customer financing.

Total R&D expenses (including SEK 0.5 b. of costs related to customer orders) increased by 13 percent to SEK 28.3 b., which corresponds to 13 (14) percent of sales. The R&D resources are allocated especially toward the areas of mobile Internet, for example 3G - the third generation mobile systems - and mobile phones for new applications and services. Other technical expenses increased by 28 percent to SEK 6.4 (5.0) b. Total R&D, and other technical expenses, amounted to SEK 34.7 (30.2) b. or 16 (16) percent of sales.

Other operating revenues increased by SEK 1.2 b. mainly due to capital gains from sales of shares. The fourth quarter results include a SEK 0.5 b. gain on sales of a minor portion of Ericsson's holdings in Juniper. Ericsson continues to retain just above 6 percent ownership of Juniper. The total gains year to date of SEK 1.8 b. also include results of sales of Powertel and Intracom by SEK 0.4 b. and SEK 0.9 b. respectively.

Operating income was SEK 17.6 (19.3) b. for the full year, which led to a decline in the operating margin to 8.2 (10.4) percent. A strong increase in the operating income for the Network Operators and Service Providers segment of SEK 4.4 b. (including effects of acquired units of SEK -1.4 b.) was offset by a sharp drop for Consumer Products of SEK 2.9 b. A decrease was also seen in the Defense Systems operations of SEK 0.7 b. The Dedicated Networks unit, now transferred from the Enterprise Solutions Segment, incurred a loss of SEK 0.8 b. versus a break even last year. Common unallocated costs were SEK 1.7 b. higher than last year, mainly due to common IT, common research and millennium project costs.

The earlier announced restructuring program proceeds according to plan. During the year the costs amounted to SEK 2,400 m. Cost reductions amounted to SEK 600 m. for the year.

#### FINANCIAL NET AND EARNINGS

Financial net improved by SEK 0.1 b. in the fourth quarter to SEK -0.7 b. due to favorable cash flow. This is a reduction in 1999 of SEK -0.5 b. compared to 1998, due to increased borrowings.

The net income effect of changes in foreign currency exchange rates compared to last year was approximately SEK 0.4 (0.8) b. for the full year. The negative effects of certain currencies were offset by favorable changes in others or effectively hedged. Effects of translation of financial statements of foreign subsidiaries, which according to generally accepted accounting principles in Sweden and US GAAP (FAS 52) are reported directly in shareholders' equity, are SEK -2.4 b., of which SEK -2.6 b. as a result of the devaluation in Brazil.

Due to favorable tax effects, mainly from non-taxable capital gains, the overall tax rate declined from 28.4 to 26.0 percent.

Net income of SEK 12.1 b. is SEK 0.9 b. lower than last year.

Earnings per share are SEK 6.17 (6.66) a decline of 7 percent. In the fourth quarter, earnings per share increased by 29 percent.

The equity ratio dropped from 38.9 to 35.2 percent during the year.

Income per share in accordance with US GAAP for the full year was SEK 7.68 (7.87) and SEK 3.85 (2.74) for the fourth quarter. The major difference between Swedish GAAP and US GAAP is the capitalization of development costs for software products.

#### INVESTMENTS, FINANCING AND CASH FLOW

Ericsson's investments in tangible assets were SEK 9.1 (9.0) b. of which SEK 4.1 (3.4) b. were in Sweden.

No material acquisitions were made during the fourth quarter. Earlier in 1999 the following acquisitions were made: Qualcomm infrastructure division, Torrent Networking Technologies Inc. (now renamed Ericsson IP Infrastructure Inc.), TouchWave Inc. (now renamed Ericsson Webcom Inc.) and Telebit A/S. Investments have also been made in Saraide.com, OZ.COM, and in Juniper. These investments amount to SEK 5.3 b.

To meet funding demands related to acquisitions and growth, SEK 12.9 b. were raised in the debt capital markets under the EMTN-program. The issues were made in euro and US dollars and were the largest ever by a Nordic corporation and substantially oversubscribed upon launch

Cash flow before financing activities was SEK -2.4 b. However, adjusting for acquisitions of SEK 5.3 b., cash flow was positive SEK 2.9 b. during 1999. Cash flow was very favorable in the fourth quarter, SEK 9.5 b., as a result of improved income, reduced operating capital (lower inventory, higher advance payments from customers and operating liabilities) and active management of receivables and customer financing.

A decision was made to divest Ericsson's real estate and associated management services in order to increase efficiency in capital usage. After the year-end, agreements have been made to divest Private Radio Systems and Energy Systems.

## EMPLOYEES

The number of employees at year-end was 103,290 (103,667). The net reduction in total number of employees was 377 for the year. However, around 9,600 employees were affected by the restructuring program during 1999. Almost 5,400 employees were recruited into new jobs mainly within Consumer Products. About 2,400 employees were added with acquisitions. Sales per employee increased 17 percent to SEK 2.1 m. from SEK 1.8 m. in 1998.

## RESTRUCTURING

The restructuring program that was announced in January 1999 is after initial delays, implemented according to plan. Decisions made during the fourth quarter will partly be realized during the first quarter 2000. Overall SEK 2.4 b. was spent during the year with cost savings amounting to SEK 600 m. This affected 9,600 people. Restructuring is well under control and will from now on be part of Ericsson's normal operations.

## MILLENNIUM (Y2K)

The objectives for Ericsson's Millennium program were to retain customer satisfaction, to protect shareholder value and to secure working conditions. All three objectives were met and no major incident was experienced during the transition. The global program has been running since 1997, with a total accumulated cost of SEK 2.7 b. During 1999 SEK 1.8 b. was spent, mainly affecting selling and administrative expenses.

## MARKET DEVELOPMENT

Ericsson's sales growth was driven by strong demand for mobile communications in all market areas. The fastest growth, 36 percent, was seen in North America. Market areas Latin America and Europe, Middle East and Africa (EMEA) grew by 19 and 18 percent respectively.

### Top 10 Markets

Market	Sales SEK b.	Change from last year %	% of total net sales
United States	23.6	39	11
China	18.8	-16	9
United Kingdom	15.9	15	7
Brazil	14.3	20	7
Spain	13.0	85	6
Italy	12.7	11	6
Turkey	9.9	117	5
Japan	8.6	78	4
Sweden	7.6	-11	4
Germany	6.0	3	3

### Europe, Middle East and Africa

In EMEA, the strongest growth was seen in the UK, Spain, the Netherlands and Turkey. There is a high activity level in the market to invest in mobile systems and to prepare for the migration into next generation networks.

### Asia Pacific

The sales in China were SEK 18.8 b., 16 percent lower than last year. Excluding China sales increased 27 percent.

The slowdown in China is considered temporary and caused by restructuring of the Chinese operators and regulatory uncertainty. During the fourth quarter orders and sales started to recover. Orders booked in China increased during the fourth quarter by 22 percent compared to the fourth quarter of 1998.

Strong sales growth was reported in Japan, 78 percent, and India, 82 percent.

### Latin America

In Latin America, sales increased by 19 percent. Strong development in Brazil (20 percent) and Mexico (74 percent), compensated for lower sales in other countries.

### North America

The growth in North America is reflecting the very strong growth in mobile telephony. The introduction of new flat rate or bundled tariffs was the stimulus for subscriber growth and minutes of usage in the US similar to development in several other markets.

**Table; External sales by market area/by segment**

	<b>EMEA</b>	<b>Asia Pacific</b>	<b>Latin America</b>	<b>North America</b>
TOTAL SEK b.*)	115.1	44.9	30.2	25.2
Share of total Ericsson	53%	21%	14%	12%
Network Operators	73.7	33.8	23.9	17.7
Consumer Products	25.3	9.3	4.9	6.2
Enterprise Solutions	9.1	1.2	1.0	0.4
Other Operations	7.0	0.6	0.5	0.8

\*) *Internal sales between the segments are excluded*

## BUSINESS SEGMENTS

**Table: Segment Results 1999**

Segment	Net sales SEK b.	Growth %	Operating Income SEK m.	Operating Margin %
Network Operators	149.9	22	19,637	13
Consumer Products	46.4	3	253	1
Enterprise Solutions	17.3	19	64	0
Other Operations	16.8	10	75	0
Unallocated costs			-2,439	
Less: Intersegment sales	-15.0	10	---	
ERICSSON	215.4	17	17,590	8

The market for mobile communications is driven by strong subscriber growth, increasing usage per subscriber as well as expenditures by network operators to enhance the networks for mobile Internet capabilities.

*Network Operators and Service Providers* segment experienced a strong year in 1999. A very high growth of traffic in all kinds of networks resulted in a rapid increase in sales for Ericsson's largest business segment. Net sales increased by 22 percent to 149.9 (123.2) b., while order bookings increased by 19 percent to 151.8 (127.6) b. The operating margin increased faster than net sales, 29 percent for the full year and was 13 (12) percent of sales. The sales growth in mobile systems isolated was over 40 percent.

With the acquisition of Qualcomm's infrastructure division, Ericsson is now able to offer all existing mobile telephony standards and will be able to deliver systems according to all major modes of the IMT-standard for 3G (third generation mobile systems). With more than 30 percent of the market, Ericsson is the undisputed leader in mobile systems.

The results of Wireline Systems were positive, indicating that the ongoing restructuring program has been successful. The Operating Margin for Wireline Systems improved to 5.6 percent during 1999. Several major contracts for ENGINE - Ericsson's solution for next generation networks with seamless migration of circuit switched networks to IP- and ATM-based networks - represented a breakthrough for Ericsson in this area.

*Consumer Products* experienced a year with a strong growth in volumes, with 31 (24) million phones sold during the year. However, growth in sales were modest, rising with 3 percent to SEK 46.4 (45.2) b. A larger proportion of low-end segment phones caused reduced margins. Problems in the ramp-up of production of new models, like T28, limited the sales of the new generation products. During the fourth quarter, the production volume started to reach the targets. Operating income for the quarter was SEK 928 m. or 5.6 percent of sales.

Ericsson's market share for mobile phones decreased during the year. With an improved product offering, combined with strong market demand for mobile phones in general, Ericsson should be able to improve its market share. During 1999 more new models than ever before were presented, several of them WAP-enabled, which will be delivered in volumes during this year.

*Enterprise Solutions* also noted a growth in sales. During 1999 external sales increased by 19 percent to SEK 11.6 (9.8) b. Sales of Ericsson's PBX-s reached record level with improved operating margin. Continued development of offerings are focused on advanced solutions for integration of IP and wireless communications into enterprise networks as well as providing mobile Internet based business solutions and services.

#### THE PARENT COMPANY, TELEFONAKTIEBOLAGET LM ERICSSON

The parent company's results include the operations conducted on commission basis by Ericsson Telecom AB, Ericsson Treasury Services AB, and Ericsson Credit AB. Ericsson Credit AB's operations are conducted on commission basis since January 1, 1999.

Net Sales for the parent company were SEK 15,375 m. (16,836). Income before appropriations to/from untaxed reserves and taxes was SEK 3,217 m. (1,372). Major changes in the financial position were increased investments in subsidiaries of SEK 5,102 m., increased long-term loans to subsidiaries of SEK 5,596 m., increased long-term customer financing of SEK 6,040 m. and increased cash, bank and short term investments of SEK 6,693 m. These investments were financed through increased internal and external borrowings. Of the increase in investments in subsidiaries, SEK 3,329 m. was attributable to stock issues in Ericsson Holding II Inc. (USA). The parent company has, during the year, sold a major part of their real estate to Swedish group companies. Cash and short-term cash investments amounted to SEK 17,090 m. at year-end.

#### BOARD OF DIRECTORS' PROPOSALS

The Board of Directors will propose to the Annual General Meeting on March 31 an unchanged dividend of SEK 2.00 per share.

The Board proposes a bonus issue by way of an increase of the par value of the share from SEK 2.50 to SEK 4.00, followed by a split 1:4. Trading with the new par value of SEK 1.00 is expected to commence in the beginning of May 2000.

The Board furthermore welcomes the proposed possibility to repurchase shares and will present a proposal to the Annual General Meeting in the light of the final decisions taken by the legislative bodies in Sweden.

Stockholm, January 28, 2000

Lars Ramqvist

Telefonaktiebolaget L M Ericsson (publ).

The Annual General Meeting will be held on March 31, 2000.

The Annual Report will be distributed to shareholders and be available at the head office at Telefonplan, Stockholm, as of March 6, 2000.

## TO THE SHAREHOLDERS

We can look back on an exciting and eventful year. Ericsson's income before tax for the fourth quarter reached a record level and for the full year the Ericsson share has increased in value by 183 percent, which corresponds to an increase of SEK 694 b.

Over 70 percent of our sales are generated from mobile systems and terminals. Today, Ericsson is the global leader in mobile communications. This is important because mobile communications is now the largest and fastest growing area in our industry.

The market and our entire industry have undergone development and transformation at a rate more rapid than any industry has experienced. Mobile Internet is becoming a reality. Ericsson has prepared for this development for more than a decade. In the late 1980s, we began development of third-generation mobile systems. Seventeen test systems have already been delivered.

The growing number of mobile subscribers creates demand and development in the market. As early as 2003, we are expecting the number of subscribers to reach one billion. Some 120 million are expected to be using third-generation systems as early as 2004.

Mobile Internet brings significant business opportunities for Ericsson. Interest in the first phase, in which WAP is the leading technology, provides a clear demonstration of the growing importance of mobile Internet. And this is even before the higher transmission speeds of third-generation systems can be achieved.

As one of the initiators of the WAP standard, Ericsson is well prepared. Currently we have the market's broadest range of WAP knowledge, including hardware, applications development, consultants and terminals.

During the year, several strategic milestones have been passed that will strengthen Ericsson's position further, as we are entering the next era of communication with mobile Internet.

The next step toward third-generation systems is GPRS, which is a packet-switched technology. During 1999, Ericsson won well over 50 percent of the world's GPRS orders, which gives us a strong position for the future.

In addition to the technology, applications are crucial in the development of mobile Internet. In part, this is a question of being able to offer customers simple and secure solutions for e-commerce. During the year, Ericsson's achievements included a strategic partnership with VISA International and a joint development with Sonera SmartTrust for the world's first digital signature for secure e-commerce using WAP phones.

During 1999 we started a new business activity, Business Consulting. With 2,700 professionals in 36 countries, Ericsson is a leading provider of mobile Internet business solutions. Customers during the year include Reuters, the Dutch daily paper De Telegraaf, Scania, LYCOS and SAS.

Ericsson's goal is to lead the development of the mobile Internet. We will do so, based on our strong position as a complete supplier of communication solutions ranging from backbone networks and mobile infrastructure to applications, consulting and terminals.

During the year, Ericsson gradually strengthened its position in next-generation IP-based core networks for multi-service access. The year began with a breakthrough order



from BT, which was followed by orders from Diginet in Latin America, Dutch KPN and Spanish Telefónica. During the autumn, Ericsson's offering was presented under the ENGINE concept.

A number of strategically important steps were taken to strengthen Ericsson's positions further. One was the acquisition of Qualcomm's infrastructure operations, which enables Ericsson to offer a complete product portfolio of cellular technologies. In addition, this acquisition had a favorable effect on standardization work and stimulated the entire industry.

Other strategic acquisitions were Torrent and TouchWave. Together, these two companies provided Ericsson with a broad expertise and complementary product portfolio in data communications.

Other examples of strategic partnerships are the one with Juniper and Ericsson's partnership with Microsoft. Together with Microsoft we will establish a company that will develop mobile Internet applications, such as wireless e-mail.

The joint development work at Symbian on the EPOC operating system has continued to advance favorably. The first phones using EPOC were introduced during the year.

The business segment Consumer Products showed unsatisfactory results during most of the year. The trend is now changing. Targeted production volumes for the new phones were achieved at the end of the year. During the year, a number of new phones were presented, together with a range of new accessories. Ericsson has now a very competitive product portfolio. Measures have been taken with the objective of gaining market share and targeting the position as number two in the world.

We can now also conclude that the unfavorable operational performance, which was developing at mid-year has been reversed. The dramatic trend of rising costs was broken. Negative cash flow has turned positive. Ericsson's business is under control and improving.

The past year has strengthened our conviction that it is the combination of Ericsson's expertise in systems, applications and in mobile phones that will ensure Ericsson's leading position.

Ericsson is entering the new millennium with a strong momentum, a clear vision of our strategic direction, a leading product portfolio and a unique position of market leadership. The continuing growth of mobile communications in all markets, improving conditions in several key markets and the strong market interest in mobile Internet, all indicate that the year 2000 will be one of the most exciting years in Ericsson's history.

## OUTLOOK 2000

For the full year 2000, we believe in continued strong market growth where Ericsson gains benefits from its leading position in mobile telephony and in the growth of mobile Internet. Our long-term financial targets remain unchanged. We intend to grow faster than the market, which means growing by at least 20 percent, and with a return on capital employed of 20-25 percent with positive cash flow before strategic acquisitions, and an operating margin of at least 10 percent.

We expect sales to increase by more than 20 percent during the year 2000, and a substantial growth in earnings. We intend to achieve this with a positive cash flow.

The first quarter of 1999 was exceptionally weak, affected by restructuring costs and slow development in China and for mobile phones. For the first quarter of year 2000, we expect a sales growth by more than 30 percent and income before taxes in the range of three times that of the first quarter of 1999.

Stockholm, January 28, 2000

Lars Ramqvist  
Chairman and CEO

Kurt Hellström  
President

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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## ERICSSON

## CONSOLIDATED INCOME STATEMENT

SEK millions	Oct - Dec		Jan - Dec	
	1999	1998	1999	1998
Net sales	73,755	59,042	215,403	184,438
Cost of sales	<u>-42,385</u>	<u>-34,078</u>	<u>-125,881</u>	<u>-105,251</u>
Gross margin	31,370	24,964	89,522	79,187
Gross margin as percentage of net sales	42.5%	42.3%	41.6%	42.9%
Research and development and other technical expenses	-9,873	-8,382	-33,123	-28,027
Selling expenses	-10,735	-7,600	-31,205	-24,108
Administrative expenses	-3,139	-3,040	-10,078	-8,922
Other operating revenues	1,066	488	2,224	995
Share in earnings of associated companies	<u>- 2</u>	<u>40</u>	<u>250</u>	<u>148</u>
Operating margin	8,687	6,470	17,590	19,273
Operating margin as percentage of net sales	11.8%	11.0%	8.2%	10.4%
Financial income	562	434	2,273	2,228
Financial expenses	<u>- 457</u>	<u>- 795</u>	<u>-2,971</u>	<u>-2,465</u>
Income after financial items	8,792	6,109	16,892	19,036
Minority interest in income before taxes	<u>- 313</u>	<u>4</u>	<u>- 506</u>	<u>- 826</u>
Income before taxes <sup>*)</sup>	8,479	6,113	16,386	18,210
Taxes	<u>-2,156</u>	<u>-1,368</u>	<u>-4,256</u>	<u>-5,169</u>
Net income <sup>*)</sup>	6,323	4,745	12,130	13,041

<sup>\*)</sup> Including capital gains/losses, net

728

142

1,843

234

**ERICSSON**  
**CONSOLIDATED BALANCE SHEET**

SEK millions	Dec 31 1999	Dec 31 1998
<b>FIXED ASSETS</b>		
Intangible assets	10,548	6,354
Tangible assets	24,719	22,516
Financial assets		
Equity in associated companies	2,712	2,777
Other investments	1,751	1,438
Long-term customer financing	6,657	5,937
Other long-term receivables	4,972	2,902
Total fixed assets	51,359	41,924
<b>CURRENT ASSETS</b>		
Inventories	25,701	26,973
Receivables		
Accounts receivable - trade	65,333	57,737
Other receivables	31,227	22,589
Short-term cash investments, cash and bank	29,008	18,233
Total current assets	151,269	125,532
<b>TOTAL ASSETS</b>	<b>202,628</b>	<b>167,456</b>
<b>STOCKHOLDERS' EQUITY</b>	69,176	63,112
<b>MINORITY INTEREST IN EQUITY OF CONSOLIDATED SUBSIDIARIES</b>	2,182	2,051
<b>PROVISIONS</b>		
Pensions	8,398	8,056
Taxes	1,220	2,388
Other provisions	12,934	11,840
Total provisions	22,552	22,284
<b>LONG-TERM LIABILITIES</b>	24,954	13,068
<b>CURRENT LIABILITIES</b>	83,764	66,941
<b>TOTAL STOCKHOLDERS' EQUITY, PROVISIONS AND LIABILITIES*)</b>	<b>202,628</b>	<b>167,456</b>
*) Of which interest-bearing provisions and liabilities	45,020	27,474

**ERICSSON**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

SEK millions	January - December	
	1999	1998
<b>OPERATIONS</b>		
Net income	12,130	13,041
<u>Adjustments to reconcile net income to cash</u>		
Minority interest in net income	404	586
Depreciation and amortization	7,382	6,081
Capital gains(-)/losses(+) on sale of fixed assets	-1,399	-230
<u>Changes in operating net assets</u>		
Inventories	714	-2,056
Customer financing, short-term and long-term	722	-5,727
Accounts receivable - trade and other operating assets	-19,832	-10,893
Provisions and other operating liabilities	12,804	6,592
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>12,925</b>	<b>7,394</b>
<b>INVESTMENTS</b>		
Investments in tangible fixed assets	-9,085	-8,965
Sales of tangible fixed assets	625	632
Acquisitions/sales of other investments, net	-4,768	-8,865
Other	-2,136	-21
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-15,364</b>	<b>-17,219</b>
<b>CASH FLOW BEFORE FINANCING ACTIVITIES</b>	<b>-2,439</b>	<b>-9,825</b>
<b>FINANCING</b>		
Changes in current liabilities to financial institutions, net	3,854	955
Issue of convertible debentures	58	19
Proceeds from issuance of long-term debt	15,163	3,366
Repayment of long-term debt	-1,515	-1,332
Dividends paid	-4,010	-3,800
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>13,550</b>	<b>-792</b>
Effect of exchange rate changes on cash	-336	-277
<b>NET CHANGE IN CASH</b>	<b>10,775</b>	<b>-10,894</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>18,233</b>	<b>29,127</b>
<b>CASH, END OF PERIOD</b>	<b>29,008</b>	<b>18,233</b>

Closing exchange rate SEK/USD = 8.527

**ERICSSON**  
**TREND OF OPERATIONS IN BRIEF**

SEK millions	January - December		Changes in %
	1999	1998	
Net sales	215,403	184,438	17
Income before taxes	16,386	18,210	-10
Net income	12,130	13,041	-7
Average number of shares after full conversion, million	1,997	1,997	
Earnings per share, SEK	6.17	6.66	-7
Earnings per share in accordance with U.S. GAAP, SEK	7.68	7.87	-2
Equity ratio	35.2%	38.9%	
Return on capital employed	19.0%	24.9%	
Return on equity	18.3%	22.5%	
Cash flow before financing activities	-2,439	-9,825	
Additions to fixed assets			
- tangible	9,085	8,965	1
- intangible	5,373	6,013	-11
Number of employees, end of period	103,290	103,667	
Orders booked	223,828	187,415	19
Order backlog, end of period	83,976	78,990	6

## Segment Results, YTD

(1998 figures are proforma)

(1998 & 1999 figures restated for the transfer of Dedicated Networks to Other Operations )

(1999 figures restated for the allocation of part of the Corporate Costs to Business Segments)

(MSEK)

YTD	Net Sales								Operating Margin							
	9912	9909	9906	9903	9812	9809	9806	9803	9912	9909	9906	9903	9812	9809	9806	9803
<i>Mobile Systems</i>	109,377	72,246	46,306	20,840	77,713	50,554	32,358	14,216								
<i>Wireline Systems</i>	29,730	19,665	12,760	5,515	30,486	20,524	13,789	6,529								
<i>Other</i>	<u>10,836</u>	<u>7,297</u>	<u>5,248</u>	<u>2,150</u>	<u>15,020</u>	<u>9,798</u>	<u>6,411</u>	<u>2,957</u>								
Network Operators and Service Providers	149,943	99,208	64,314	28,505	123,219	80,876	52,558	23,702	19,637	10,919	5,758	2,108	15,264*)	8,760	4,988	1,676
Consumer Products	46,444	29,797	20,064	9,696	45,237	32,701	21,879	11,045	253	-675	-56	-23	3,181	3,317	2,758	1,150
Enterprise Solutions	17,345	11,949	7,841	3,446	14,561	9,843	6,603	3,195	64	-382	-216	-222	96	4	65	56
Other Operations	16,750	11,326	7,301	3,312	15,170	11,101	7,444	3,443	75	139	342	128	1,452	1,146	640	162
Less Intersegment Sales	<u>-15,079</u>	<u>-10,632</u>	<u>-7,137</u>	<u>-3,388</u>	<u>-13,749</u>	<u>-9,125</u>	<u>-6,234</u>	<u>-3,029</u>	<u>-2,439</u>	<u>-1,098</u>	<u>-666</u>	<u>-205</u>	<u>-720*)</u>	<u>-424</u>	<u>-328</u>	<u>-175</u>
<b>Total</b>	<b>215,403</b>	<b>141,648</b>	<b>92,383</b>	<b>41,571</b>	<b>184,438</b>	<b>125,396</b>	<b>82,250</b>	<b>38,356</b>	<b>17,590</b>	<b>8,903</b>	<b>5,162</b>	<b>1,786</b>	<b>19,273</b>	<b>12,803</b>	<b>8,123</b>	<b>2,869</b>

YTD	Net Sales, Change vs last year %				Operating Margin, %							
	9912	9909	9906	9903	9912	9909	9906	9903	9812	9809	9806	9803
<i>Mobile Systems</i>	40.7%	42.9%	43.1%	46.6%								
<i>Wireline Systems</i>	-2.5%	-4.2%	-7.5%	-15.5%								
<i>Other</i>	<u>-27.9%</u>	<u>-25.5%</u>	<u>-18.1%</u>	<u>-27.3%</u>								
Network Operators and Service Providers	21.7%	22.7%	22.4%	20.3%	13.1%	11.0%	9.0%	7.4%	12.4%	10.8%	9.5%	7.1%
Consumer Products	2.7%	-8.9%	-8.3%	-12.2%	0.5%	-2.3%	-0.3%	-0.2%	7.0%	10.1%	12.6%	10.4%
Enterprise Solutions	19.1%	21.4%	18.7%	7.9%	0.4%	-3.2%	-2.8%	-6.4%	0.7%	0.0%	1.0%	1.8%
Other Operations	10.4%	2.0%	-1.9%	-3.8%	0.4%	1.2%	4.7%	3.9%	9.6%	10.3%	8.6%	4.7%
Less Intersegment Sales	<u>9.7%</u>	<u>16.5%</u>	<u>14.5%</u>	<u>11.9%</u>								
<b>Total</b>	<b>16.8%</b>	<b>13.0%</b>	<b>12.3%</b>	<b>8.4%</b>	<b>8.2%</b>	<b>6.3%</b>	<b>5.6%</b>	<b>4.3%</b>	<b>10.4%</b>	<b>10.2%</b>	<b>9.9%</b>	<b>7.5%</b>

YTD	Number of Employees							
	9912	9909	9906	9903	9812	9809	9806	9803
Network Operators and Service Providers	64,695	65,359	65,909	65,530	68,645	69,111	69,024	68,485
Consumer Products	16,446	14,970	14,053	14,116	14,193	13,831	13,545	12,832
Enterprise Solutions	9,615	10,262	10,329	9,856	9,966	9,791	9,606	9,229
Other Operations	11,525	11,474	11,278	11,046	10,678	11,100	10,987	11,763
Unallocated	1,009	712	809	669	185	168	166	157
<b>Total</b>	<b>103,290</b>	<b>102,777</b>	<b>102,378</b>	<b>101,217</b>	<b>103,667</b>	<b>104,001</b>	<b>103,328</b>	<b>102,466</b>

\*) Proforma segment results for the full year 1998, presented in the Annual Report, have been adjusted for interest income on customer financing, which was formerly reported as segment income and reversed among unallocated costs to be transferred to Financial income. From 1999, such interest is reported directly as Financial income.

In accordance with information given in the September Interim Report, segment figures for 1998 and 1999 have now been restated for a) the transfer of the Dedicated Networks Unit from segment Enterprise Solutions to Other Operations (1998 & 1999) and

b) the allocation of part of the Corporate Costs to Business Segments (1999). In 9903 MSEK 250 have been allocated, in 9906 MSEK 800, in 9909 MSEK 1 300 and in 9912 MSEK 1 600.

Unallocated costs consist mainly of costs for corporate staffs, certain goodwill amortization's and non-operational capital gains and losses.

## Segment Results, Isolated quarters

(1998 figures are proforma)

(1998 & 1999 figures restated for the transfer of Dedicated Networks to Other Operations )

(1999 figures restated for the allocation of part of Corporate Costs to Business Segments)

(MSEK)

Isolated quarters	Net Sales								Operating Margin							
	Q4-99	Q3-99	Q2-99	Q1-99	Q4-98	Q3-98	Q2-98	Q1-98	Q4-99	Q3-99	Q2-99	Q1-99	Q4-98	Q3-98	Q2-98	Q1-98
<i>Mobile Systems</i>	37,131	25,940	25,466	20,840	27,159	18,196	18,142	14,216								
<i>Wireline Systems</i>	10,065	6,905	7,245	5,515	9,962	6,735	7,260	6,529								
<i>Other</i>	<u>3,539</u>	<u>2,049</u>	<u>3,098</u>	<u>2,150</u>	<u>5,222</u>	<u>3,387</u>	<u>3,454</u>	<u>2,957</u>								
Network Operators and Service Providers	50,735	34,894	35,809	28,505	42,343	28,318	28,856	23,702	8,718	5,161	3,650	2,108	6,504 *)	3,772	3,312	1,676
Consumer Products	16,647	9,733	10,368	9,696	12,536	10,822	10,834	11,045	928	-619	-33	-23	-136	559	1,608	1,150
Enterprise Solutions	5,396	4,108	4,395	3,446	4,718	3,240	3,408	3,195	446	-166	6	-222	92	-61	9	56
Other Operations	5,424	4,025	3,989	3,312	4,069	3,657	4,001	3,443	-64	-203	214	128	306	506	478	162
Unallocated costs									-1,341	-432	-461	-205	-296 *)	-96	-153	-175
Less Intersegment Sales	-4,447	-3,495	-3,749	-3,388	-4,624	-2,891	-3,205	-3,029								
<b>Total</b>	<b>73,755</b>	<b>49,265</b>	<b>50,812</b>	<b>41,571</b>	<b>59,042</b>	<b>43,146</b>	<b>43,894</b>	<b>38,356</b>	<b>8,687</b>	<b>3,741</b>	<b>3,376</b>	<b>1,786</b>	<b>6,470</b>	<b>4,680</b>	<b>5,254</b>	<b>2,869</b>

Isolated quarters	Net Sales, Change vs last year %				Operating Margin, %							
	Q4-99	Q3-99	Q2-99	Q1-99	Q4-99	Q3-99	Q2-99	Q1-99	Q4-98	Q3-98	Q2-98	Q1-98
<i>Mobile Systems</i>	36.7%	42.6%	40.4%	46.6%								
<i>Wireline Systems</i>	1.0%	2.5%	-0.2%	-15.5%								
<i>Other</i>	<u>-32.2%</u>	<u>-39.5%</u>	<u>-10.3%</u>	<u>-27.3%</u>								
Network Operators and Service Providers	19.8%	23.2%	24.1%	20.3%	17.2%	14.8%	10.2%	7.4%	15.4%	13.3%	11.5%	7.1%
Consumer Products	32.8%	-10.1%	-4.3%	-12.2%	5.6%	-6.4%	-0.3%	-0.2%	-1.1%	5.2%	14.8%	10.4%
Enterprise Solutions	14.4%	26.8%	29.0%	7.9%	8.3%	-4.0%	0.1%	-6.4%	1.9%	-1.9%	0.3%	1.8%
Other Operations	33.3%	10.1%	-0.3%	-3.8%	-1.2%	-5.0%	5.4%	3.9%	7.5%	13.8%	11.9%	4.7%
Less Intersegment Sales	-3.8%	20.9%	17.0%	11.9%								
<b>Total</b>	<b>24.9%</b>	<b>14.2%</b>	<b>15.8%</b>	<b>8.4%</b>	<b>11.8%</b>	<b>7.6%</b>	<b>6.6%</b>	<b>4.3%</b>	<b>11.0%</b>	<b>10.8%</b>	<b>12.0%</b>	<b>7.5%</b>



## Market Areas, Net Sales, YTD and Isolated quarters

(1998 figures restated according to the new Market Area organization)

(MSEK)

	Net Sales, YTD								Net Sales, isolated quarters							
	9912	9909	9906	9903	9812	9809	9806	9803	Q4-99	Q3-99	Q2-99	Q1-99	Q4-98	Q3-98	Q2-98	Q1-98
Europe, Middle East and Africa *)	115,065	75,418	48,995	22,129	97,456	65,213	41,882	19,498	39,647	26,423	26,866	22,129	32,243	23,331	22,384	19,498
North America	25,175	17,610	11,387	4,179	18,560	12,382	8,074	4,331	7,565	6,223	7,208	4,179	6,178	4,308	3,743	4,331
Latin America	30,263	18,916	12,186	4,920	25,537	17,387	12,348	5,577	11,347	6,730	7,266	4,920	8,150	5,039	6,771	5,577
Asia Pacific	44,900	29,704	19,815	10,343	42,885	30,414	19,946	8,950	15,196	9,889	9,472	10,343	12,471	10,468	10,996	8,950
<b>Total</b>	<b>215,403</b>	<b>141,648</b>	<b>92,383</b>	<b>41,571</b>	<b>184,438</b>	<b>125,396</b>	<b>82,250</b>	<b>38,356</b>	<b>73,755</b>	<b>49,265</b>	<b>50,812</b>	<b>41,571</b>	<b>59,042</b>	<b>43,146</b>	<b>43,894</b>	<b>38,356</b>
*) of which Sweden	7,551	5,461	3,868	1,685	8,509	6,539	4,439	2,058	2,090	1,593	2,183	1,685	1,970	2,100	2,381	2,058
*) of which EU	80,345	52,411	34,299	16,261	71,094	48,552	31,400	14,767	27,934	18,112	18,038	16,261	22,542	17,152	16,633	14,767

	Net Sales, YTD Change vs last year %				Net Sales, Isolated quarters, Change vs last year %			
	9912	9909	9906	9903	Q4-99	Q3-99	Q2-99	Q1-99
Europe, Middle East and Africa *)	18.1%	15.6%	17.0%	13.5%	23.0%	13.3%	20.0%	13.5%
North America	35.6%	42.2%	41.0%	-3.5%	22.5%	44.5%	92.6%	-3.5%
Latin America	18.5%	8.8%	-1.3%	-11.8%	39.2%	33.6%	7.3%	-11.8%
Asia Pacific	4.7%	-2.3%	-0.7%	15.6%	21.9%	-5.5%	-13.9%	15.6%
<b>Total</b>	<b>16.8%</b>	<b>13.0%</b>	<b>12.3%</b>	<b>8.4%</b>	<b>24.9%</b>	<b>14.2%</b>	<b>15.8%</b>	<b>8.4%</b>
*) of which Sweden	-11.3%	-16.5%	-12.9%	-18.1	6.1%	-24.1%	-8.3%	-18.1%
*) of which EU	13.0%	7.9%	9.2%	10.1%	23.9%	5.6%	8.4%	10.1%