

## Ericsson reports positive cash flow and continued sales growth in Mobile Systems during second quarter

- *Systems sales increase 9%, driven by 29% growth in GSM*
- *Losses in phones reduced to SEK -4.6 b., compared with SEK -5.7 b. in Q1, 2001*
- *Income before taxes of SEK -5.3 b. before restructuring charges*
- *Efficiency program and Back-to-Profit program on track to restore profitability*
- *Outlook: Due to weakening market conditions, we expect flat to moderate growth in mobile systems market for the full year 2001; Systems sales expected to grow at least in pace with the market*

(SEK b.)	Second quarter			Six months		
	2001	2000	Change	2001	2000	Change
<b>Orders</b>	<b>61.2</b>	<b>64.7</b>	<b>-5%</b>	<b>136.7</b>	<b>144.2</b>	<b>-5%</b>
Systems	50.7	45.6	11%	113.3	103.5	9%
Phones	7.6	13.4	-43%	14.8	28.0	-47%
Other	5.5	8.7	-37%	13.8	20.0	-31%
<b>Sales</b>	<b>62.8</b>	<b>65.0</b>	<b>-3%</b>	<b>118.7</b>	<b>124.1</b>	<b>-4%</b>
Systems	50.7	46.4	9%	94.8	85.3	11%
Phones	8.1	13.4	-39%	15.3	28.1	-46%
Other	6.9	8.5	-19%	14.2	17.8	-20%
<b>Adjusted Operating Income <sup>1)</sup></b>	<b>-4.2</b>	<b>7.2</b>		<b>-8.6</b>	<b>13.5</b>	
Systems	0.6	9.6		2.4	15.3	
Phones	-4.6	-2.1		-10.4	-1.5	
Other	0.1	0.5		0.0	1.0	
Unallocated	-0.3	-0.8		-0.6	-1.3	
<b>Adjusted Operating Margin <sup>1)</sup></b>	<b>-7%</b>	<b>11%</b>		<b>-7%</b>	<b>11%</b>	
Systems	1%	21%		3%	18%	
Phones	-57%	-16%		-68%	-5%	
Other	2%	6%		0%	6%	
Adjusted Income Before Taxes <sup>1)</sup>	-5.3	6.7		-10.2	12.8	
Net Income	-14.2	10.2		-13.8	14.4	
Earnings per share, diluted (SEK)	-1.81	1.28		-1.75	1.82	
Earnings per share, diluted per U.S. GAAP (SEK)	-1.45	1.17		-1.74	1.80	
Cash flow before financing activities	4.3	7.2		-13.4	1.0	
<sup>1)</sup> Adjusted for:						
- Capital gain, Juniper	-	-		5.5	-	
- Non-operational capital gains	0	4.7		0	4.7	
- Pension refund	-	1.1		-	1.1	
- Restructuring charges	-15.0	-		-15.0	-	

## **OPERATIONAL RESULTS**

Order development for Systems improved in the second quarter with an increase of 11% over last year, compared to 8% in the first quarter. The increase was attributable to increased orders for GSM and PDC, but also a CDMA order in China. In addition we signed agreements for eight new commercial 3G networks, which are only to a very small extent reflected in orders. Orders for Multi-Service Networks increased slightly.

An increase in Systems sales by 9% was driven by strong growth in GSM and ENGINE. Sales of TDMA and PDC systems continued to decline. Mobile phone sales were down 39% in the quarter, negatively affected by lower average selling price and lower unit volumes.

As expected, income before taxes of SEK -5.3 b. excluding restructuring charges was slightly below the first quarter result. Losses in mobile phones continued, but were reduced from the first quarter. The profitability of the systems business has not yet begun to benefit from the ongoing Efficiency program, and operating margin declined due to continued 3G spending, excess capacity costs and increased price pressure.

Our actions to improve working capital have contributed substantially to the positive cash flow of SEK 4.3 b. Adjusted for divestitures, operating cash flow improved from SEK -23.2 b. in the first quarter to SEK 0.9 b. in the second quarter.

## **CEO COMMENTS**

“We are very encouraged by our progress made during the quarter considering the very challenging market and we will soon start to see the results of our improvement actions,” said Kurt Hellström, President and CEO of Ericsson. “Our focus on cash flow has paid off and we will continue to prioritize cash flow to ensure further improvements.”

“Weak market conditions for our industry persisted in the second quarter. Many of our customers have delayed spending on network expansion and in some cases postponed contracted deliveries. We cannot predict how long this situation will prevail as we have yet to see signs of improvement.”

“While we cannot control the market, we can control our costs. The programs targeted to reduce our costs by SEK 38 b. are running at full speed. Among other measures, we have consolidated activities in 29 countries into 8 Market Units. During the quarter, our cost reduction actions have affected more than 10,000 employees and 5,800 consultants. During the second half of the year another 10,000 employees will be affected. These are tough but necessary actions to restore profitability.”

“Fifty operators have launched GPRS already and we expect a gradual introduction which could stimulate a more favorable market later this year. Regardless of how the Mobile Internet market develops in the short term, it is only a matter of time before additional network capacity is required to support the continuing subscriber growth and increasing voice traffic. With our solid customer base, unmatched geographical presence, and the broadest range of technologies, we are well positioned to benefit when the market recovers.”

## **OPERATIONAL REVIEW**

### **Systems**

While Systems sales grew faster than the market, the margins will only benefit from the full positive effects of the Efficiency program next year. Excluding restructuring charges of SEK 11.1 b., the second quarter operating margin decreased to 1%, compared to 4% in the first quarter. This further margin decline was driven by higher R&D for 3G in combination with increased price pressure in 2G.

### **Mobile Systems – reconfirmed leadership in 3G and GSM**

Orders in the second quarter improved substantially in the Asia Pacific region, particularly in China, offset by declines in Western Europe and North America. The decline in Western Europe is significant for 2G, considering that a substantial portion of the order intake is for 3G.

Our 3G business accelerated with 8 new agreements. We now have agreements for 34 networks and have been shipping commercial products since last year. 3G development remains on track for volume business in 2003, with gradual ramp-up during 2002.

Total mobile systems sales increased 8%. In GSM we again outpaced the market with sales growth of 29% and strengthened our leading market position. Our CDMA sales grew by 50% as we make progress in this relatively new market for us. Meanwhile, TDMA and PDC sales continued to decline as many operators in the Americas and Japan prepare to transition to next generation technology. China and Eastern Europe were the main contributors to the sales increase.

With our strong customer base in 2G we have also built a solid lead in the upgrade to 2.5G networks. We have sold a total of 70 GPRS networks and 20 of them are already in commercial service.

### **Multi-Service Networks**

Broadband and Internet traffic is driving the strong demand for multi-service networks from wireline operators as we support their transition from circuit-switched to packet-switched networks.

To date, we have signed 57 contracts for our ENGINE solution, including 6 new contracts during the quarter. As expected, the sales growth slowed to 13%, compared to the extraordinary growth of 37% in the first quarter. Sales were particularly strong in Latin America.

### **Phones**

We sold 7.7 million units during the quarter, compared to 6.2 million in the first quarter. With this unit volume increase we slightly improved our market share during the quarter. Older models were phased out in preparation for the introduction of new phones, such as the R520 and T39 GPRS models, which we have started shipping.

Our main focus continues to be executing the Back-to-Profit program. During the quarter, we reduced the number of employees in Phones from 14,400 to 7,800. The reductions consist of the transfer of 2,000 employees to Flextronics, 2,800 internal transfers to Systems and 1,800 redundancies. Outsourcing of manufacturing to Flextronics took place in Sweden, Brazil and Malaysia. While we have begun to see positive effects from the Back-to-Profit program, the current negative market situation has more than offset these benefits.

Margins were affected by continued excess capacity, lower unit sales and reduced average selling price, even though excess capacity costs were substantially reduced.

Excluding restructuring charges of SEK 3.9 b. for the Extended Back-to-Profit program, operating losses were reduced by SEK 1.1 b. compared to the first quarter.

The Extended Back-to-Profit program has commenced and should provide SEK 0.5 b. savings this year and annual savings of SEK 3 b. from 2002.

The Sony Ericsson Mobile Communications joint venture remains on schedule for launch on October 1, 2001.

### **Other Operations**

The lower orders, sales and operating margin compared to the second quarter last year were largely impacted by Microelectronics. As a sub-supplier of many components, Microelectronics is suffering from the declining business volume in mobile phones.

During the second quarter we closed on the sale of the Enterprise Solutions distribution operations to Apax Partners. No capital gain was recognized. Approximately 2,300 employees were transferred as part of this transaction.

### **Efficiency Program**

We decisively launched a major efficiency improvement program in March 2001, targeting SEK 20 b. in cost reductions. The program is on track to restore profitability despite weak market conditions. During the second quarter, we achieved the following results:

- We reduced the number of employees by 1,300. Another 2,000 employees have been given individual notice and will start leaving in August.
- We cut back 5,800 consultants, including temporary workers.
- We consolidated activities in 29 countries into 8 market units, which will result in significant cost synergies in marketing, sales, administration and IS/IT.
- We began streamlining our R&D sites worldwide, resulting in fewer sites.
- We reviewed projects and refocused resources, while protecting core R&D projects.
- We started the introduction of one global IS/IT organization to control and reduce costs.

We will continue to implement our efficiency measures this year and will realize the full extent of the cost savings in 2002. We believe that these measures will be sufficient to address the challenges of the current market downturn but are prepared to take additional cost cutting measures if the market deteriorates further. We expect savings of SEK 5.5 b. from the Efficiency program during 2001.

## FINANCIAL REVIEW

### Income Statement

Adjusted operating income improved to SEK -4.2 b., excluding restructuring charges, compared to SEK -4.4 b. in the first quarter. The adjusted operating margin improved slightly to -7% in the second quarter compared to -8% in the first quarter, a result of lower income in Systems partly offset by somewhat reduced losses in Phones. Effects of changes in foreign currency exchange rates were positive by SEK 0.3 b. overall, but unfavorable for Phones with SEK -0.8 b.

A total of SEK 15 b. in restructuring charges was taken during the second quarter, including SEK 11.1 b. in Systems and SEK 3.9 b. for the Extended Back-to-Profit program in Phones. Of the amount, SEK 8 b. is for redundancies, SEK 6 b. for inventory write-offs and supplier contract compensation and SEK 1 b. for excess facilities. In the income statement, SEK 5 b. has been charged to gross margin and SEK 10 b. to operating expenses. The restructuring charges do not include any goodwill write-offs, because Ericsson has had a conservative approach to acquisitions since the introduction of the String-of-Pearls strategy in 1997.

Approximately SEK 10 b. of the restructuring charges is estimated to impact cash flow. Of this amount, around SEK 6 b. will impact 2001, but will be largely offset by positive cash flow effects of the savings.

Financial net amounted to SEK -0.3 b. in the first quarter, and to SEK -0.8 b. in the second quarter due to increased borrowing. Taxes are calculated at our expected annual average rate of 30%.

Earnings per share (EPS) diluted were SEK -1.81 in the quarter and SEK -1.75 (1.82) year to date. EPS diluted according to U.S. GAAP year to date was SEK -1.74 (1.80), affected as usual by positive effects from capitalization of software development, but also by differences between U.S. GAAP and Swedish GAAP regarding timing of recognizing restructuring provisions in income.

### Cash Flow

Cash flow before financing activities in the quarter was SEK 4.3 b., a substantial improvement from the SEK -17.7 b. in the first quarter. The sale of the distribution and service operations of Enterprise Systems contributed approximately SEK 3.4 b. to net cash flow. Operating cash flow, which excludes this divestiture, was positive by SEK 0.9 b., compared to SEK -23.2 b. in the first quarter, excluding the sale of Juniper shares. The operating cash flow improvement reflects reduced Days Sales Outstanding (DSO) in accounts receivable, more than offsetting negative income and capital expenditure effects.

### Balance Sheet and Financing

To restore payment readiness after the negative cash flow in the first quarter, borrowing under our Euro Medium Term Note (EMTN) program was increased by SEK 26 b. This also extended the maturity profile of the borrowings, and we thereby increased the flexibility in using our short-term credit lines. As a result, our payment readiness is now 14% of sales, compared to our target level of 7% to 10%. We believe this is favorable in the current uncertain environment.

During the quarter, Moody's and Standard & Poor's lowered our credit rating from A1 to A3 and A to A-, respectively. As a consequence, SEK 22 b. borrowed in May under our extended EMTN program included conditions of increased interest rates, should our rating be lowered further by two steps or more.

Our payment readiness is balanced against our equity ratio. The equity ratio decreased from 38.7% in March to 32.3% in June, affected by the dividend payment to our shareholders and the negative second quarter income. The restructuring charge and the increased borrowing also negatively affected the equity ratio. We feel reasonably comfortable with this ratio, since we now have improved the payment readiness substantially.

Even though we increased borrowing substantially, net debt increased by only SEK 1.6 b. to SEK 33.3 b., reflecting the improved cash position. By these actions and through continued efforts to improve working capital efficiency and profitability, we will maintain a strong financial position to take us through these difficult times.

### **Customer Financing**

We have so far made very limited customer financing commitments regarding 3G mobile systems and we continue to be conservative and selective. We have made financing commitments to only three of our 3G customers. Our outstanding exposure, which is related to 2G only, increased moderately during the quarter, partly due to changes in foreign currency exchange rates.

### **MARKET VIEW**

Last year was a record year in mobile communications and operators continue to make considerable investments. However, deteriorating market conditions are causing us to lower our estimates for the mobile phones and systems markets for 2001. We anticipate that the difficult market conditions will persist for the rest of this year.

In response to the slowing economy and a cautious capital market, many operators are reducing their capital expenditures by running existing networks at higher utilization levels and deferring network expansion. They are also prioritizing customer retention over growth with a strong emphasis on improving their cash flow and balance sheet. Consequently, we now expect the market growth for mobile systems in 2001 to be flat to slightly positive compared with last year. We had previously estimated 5% to 15% growth.

With the exception of Western Europe, subscriber growth remains robust and our global forecast has not changed. We continue to believe the number of mobile subscribers will increase 25% to 35% this year, with 920 to 950 million subscribers by year-end. With high consumer penetration levels, reduction of mobile phone subsidies, and the pruning of non-active subscriptions, the subscriber growth rate is slowing significantly in Western Europe this year.

We now expect that the volume of mobile phones sold this year will be lower than our previous estimates. The inventory build-up in the distribution channel has caused some confusion regarding market estimates. Our new estimate for *sell-through* (units purchased by end users) is 400 to 440 million, and for *sell-in* (shipments to distributors) 370 to 410 million. Our previous estimate of 430 to 480 million units was for *sell-through*.

The development of the 3G market remains on track for volume business from 2003. A number of trial networks will be launched this year with many commercial launches starting in 2002.

## OUTLOOK

In our first quarter report, we indicated that income before taxes in the second quarter would not improve compared with the first quarter of 2001. We did not give an indication for the full year due to poor visibility. At that time we expected a lower growth rate in systems sales and lower phone sales compared with the second quarter of 2000.

Now uncertainty has increased even further, particularly in the US and Western Europe, regarding the duration and severity of the current unfavorable market environment. As a consequence, we refrain from specific guidance for the third quarter and the full year.

As described in our market view, we have lowered our market size expectations for 2001 compared to our outlook after the first quarter. We expect to grow our systems business at least in pace with the market for the full year, and the Back-to-Profit program in mobile phones is expected to be completed by year-end.

The joint venture with Sony is expected to have a positive result from the start. The Bluetooth and mobile platform (ASIC) activities that will be kept within Ericsson are in an investment phase and will incur losses. Under the current weaker market conditions, it will be more of a challenge to come back to a profit at the end of the year for Ericsson's total phone business.

We share the views of many market observers that visibility has diminished. Our objective to generate a 10% operating margin with positive cash flow as soon as possible remains. The weaker market conditions may cause a delay for us in achieving this. We are of course monitoring the development closely, and through our Efficiency program we increase our flexibility to respond swiftly to changes up or down. We are prepared to take additional cost cutting measures to attain our profitability objectives should the market conditions continue to worsen.

### Parent Company information

The parent company business mainly consists of corporate management and holding company functions but also includes activities performed on a commission basis by Ericsson Treasury Services AB and Ericsson Credit AB regarding internal banking and customer credit management.

In the second quarter, a stock issue and a subsequent stock repurchase was carried out related to the 2001 employee stock option and stock purchase plans, decided at the Annual General Meeting. 155 million of Ericsson Series C shares were issued and later repurchased as treasury stock. These shares have been converted to Ericsson Series B and will be used for the stock option and stock purchase plans. At the first grant on May 14, 2001, 45.6 million options were granted at an exercise price of SEK 64 per share.

The stock issue increased the capital stock in restricted stockholders' equity by SEK 155 m. and the repurchase of shares reduced non-restricted equity by SEK 156 m.

Net sales for the period was SEK 2.7 b. and income before taxes was SEK 9.4 b. Major changes in the company's financial position were:

- Increased investments in subsidiaries, SEK 18 b.
- Increased short- and long-term loans to subsidiaries, SEK 26 b.

These investments were financed primarily through increased internal borrowing of SEK 16 b. and increased external borrowing of SEK 25 b. At June 30, cash and short-term cash investments amounted to SEK 22 b. (26 b.).

## Accounting principles

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20, Interim reports. The same accounting principles have been used as in our latest annual report. The following optional recommendations are not yet implemented: RR 1:00, RR 15, RR 16, RR 17 and RR 19. For U.S. GAAP purposes, FAS 133 "Accounting for derivative instruments and hedging activities" is adopted from January 1, 2001.

Stockholm, July 20, 2001  
Kurt Hellström  
President and CEO

(Unaudited)

Uncertainties in the Future.

"Safe Harbor" 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, capital- and credit market developments, the ability to successfully restructure existing business, the timing of customer orders and manufacturing lead times, the changes in customer order and payment patterns, insufficient, excess or obsolete inventory, and 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. Results for interim periods are not necessarily indicative of results for the full fiscal year or any future periods*

Date for next report: October 26, 2001



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**ERICSSON**  
**CONSOLIDATED INCOME STATEMENT**

SEK million	Apr-June			Jan-June		
	2001	2000	Change	2001	2000	Change
Net sales	62,780	65,033	-3%	118,712	124,118	-4%
Cost of sales	-44,482	-39,292	13%	-82,837	-73,966	12%
Restructuring costs	-5,000	-		-5,000	-	
<b>Gross margin</b>	<b>13,298</b>	<b>25,741</b>	<b>-48%</b>	<b>30,875</b>	<b>50,152</b>	<b>-38%</b>
Gross margin as percentage of net sales	21.2%	39.6%		26.0%	40.4%	
Research and development and other technical expenses	-12,438	-10,124	23%	-23,009	-18,633	23%
Selling expenses	-7,397	-7,418	0%	-15,795	-15,709	1%
Administrative expenses	-3,482	-3,455	1%	-6,789	-6,329	7%
Restructuring costs	-10,000	-		-10,000	-	
<b>Operating expenses</b>	<b>-33,317</b>	<b>-20,997</b>	<b>59%</b>	<b>-55,593</b>	<b>-40,671</b>	<b>37%</b>
Operating expenses as percentage of net sales	53.1%	32.3%		46.8%	32.8%	
Other operating revenues	783	8,159		6,687	9,814	
Share in earnings of associated companies	-25	94		-98	77	
<b>Operating income <sup>1)</sup></b>	<b>-19,261</b>	<b>12,997</b>	<b>-248%</b>	<b>-18,129</b>	<b>19,372</b>	<b>-194%</b>
Operating margin as percentage of net sales	-30.7%	20.0%		-15.3%	15.6%	
Financial income	436	476	-8%	1,477	1,253	18%
Financial expenses	-1,217	-744	64%	-2,589	-1,701	52%
<b>Income after financial items</b>	<b>-20,042</b>	<b>12,729</b>	<b>-257%</b>	<b>-19,241</b>	<b>18,924</b>	<b>-202%</b>
Minority interest in income before taxes	-285	-174	64%	-480	-303	58%
<b>Income before taxes</b>	<b>-20,327</b>	<b>12,555</b>	<b>-262%</b>	<b>-19,721</b>	<b>18,621</b>	<b>-206%</b>
<b>Taxes</b>	<b>6,098</b>	<b>-2,401</b>	<b>-354%</b>	<b>5,916</b>	<b>-4,221</b>	<b>-240%</b>
<b>Net income</b>	<b>-14,229</b>	<b>10,154</b>	<b>-240%</b>	<b>-13,805</b>	<b>14,400</b>	<b>-196%</b>
Earnings per share, basic (SEK)	-1.80	1.29		-1.75	1.83	
Earnings per share, diluted (SEK)	-1.81	1.28		-1.75	1.82	
<sup>1)</sup> Of which items affecting comparability						
Non-operational capital gains/losses, net	-39	4,738		3	4,738	
Capital gain, Juniper	-	-		5,453	-	
Pension refund	-	1,100		-	1,100	
Restructuring costs	-15,000	-		-15,000	-	
Total	<b>-15,039</b>	<b>5,838</b>		<b>-9,544</b>	<b>5,838</b>	
Adjusted operating income	-4,222	7,159		-8,585	13,534	
Adjusted operating margin (%)	-6.7%	11.0%		-7.2%	10.9%	
Adjusted income before taxes	-5,288	6,717		-10,177	12,783	

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

SEK million	June 30 2001	March 31 2001	Dec 31 2000	June 30 2000
<b>Fixed assets</b>				
Intangible assets	13,644	13,425	12,833	10,463
Tangible assets	24,383	23,590	22,378	24,396
Financial assets				
Equity in associated companies	2,635	2,796	2,790	2,755
Other investments	3,049	2,893	2,484	2,217
Long-term customer financing	3,233	4,016	6,364	6,097
Other long-term receivables	7,429	6,064	3,657	3,108
<b>Total fixed assets</b>	<b>54,373</b>	<b>52,784</b>	<b>50,506</b>	<b>49,036</b>
<b>Current assets</b>				
Inventories	31,975	48,521	43,933	40,777
Receivables				
Accounts receivable - trade and short-term customer financing	71,927	76,108	76,240	69,680
Other receivables	53,510	51,827	44,029	37,075
Short-term cash investments, cash and bank	36,235	20,878	35,606	27,643
<b>Total current assets</b>	<b>193,647</b>	<b>197,334</b>	<b>199,808</b>	<b>175,175</b>
<b>Total assets</b>	<b>248,020</b>	<b>250,118</b>	<b>250,314</b>	<b>224,211</b>
<b>Stockholders' equity</b>	<b>76,626</b>	<b>93,645</b>	<b>91,686</b>	<b>83,178</b>
<b>Minority interest in equity of consolidated subsidiaries</b>	<b>3,481</b>	<b>3,047</b>	<b>2,764</b>	<b>2,127</b>
<b>Provisions</b>	<b>35,116</b>	<b>26,565</b>	<b>27,650</b>	<b>26,063</b>
<b>Long-term liabilities</b>	<b>47,462</b>	<b>20,812</b>	<b>22,294</b>	<b>21,387</b>
<b>Current liabilities</b>	<b>85,335</b>	<b>106,049</b>	<b>105,920</b>	<b>91,456</b>
<b>Total stockholders' equity, provisions and liabilities *)</b>	<b>248,020</b>	<b>250,118</b>	<b>250,314</b>	<b>224,211</b>
*) Of which interest-bearing provisions and liabilities	69,581	52,593	46,563	37,765
Assets pledged as collateral	132	234	435	-
Contingent liabilities	15,810	12,320	11,184	-

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

SEK million	Jan-June 2001	Jan-Mar 2001	Jan-June 2000
Net income and adjustments to reconcile net income to cash	-11,149	-6,743	11,229
Changes in operating net assets	-7,119	-13,235	-15,827
<b>Cash flow from operating activities</b>	<b>-18,268</b>	<b>-19,978</b>	<b>-4,598</b>
Acquisitions/sales of other investments, net	8,500	5,058	9,528
Other investing activities	-3,666	-2,803	-3,891
<b>Cash flow from investing activities</b>	<b>4,834</b>	<b>2,255</b>	<b>5,637</b>
<b>Cash flow before financing activities</b>	<b>-13,434</b>	<b>-17,723</b>	<b>1,039</b>
Dividends paid	-4,098	-2	-4,066
Other financing activities	17,688	3,614	1,694
<b>Cash flow from financing activities</b>	<b>13,590</b>	<b>3,612</b>	<b>-2,372</b>
Effect of exchange rate changes on cash	473	-617	-32
<b>Net change in cash</b>	<b>629</b>	<b>-14,728</b>	<b>-1,365</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>35,606</b>	<b>35,606</b>	<b>29,008</b>
<b>Cash and cash equivalents, end of period</b>	<b>36,235</b>	<b>20,878</b>	<b>27,643</b>

**CHANGES IN STOCKHOLDERS'**  
**EQUITY**

SEK million	Jan-June 2001	Jan-March 2001	Jan-June 2000
<b>Opening balance</b>	<b>91,686</b>	<b>91,686</b>	<b>69,176</b>
Stock issue	155	-	-
Conversion of debentures	9	8	1,840
Repurchase of own stock	-156	-	-330
Dividends paid	-4,063	-	-3,919
Gains on sale of own options and convertible debentures	-	-	1,963
Changes in cumulative translation adjustments	2,452	1,475	148
Net income	-13,805	424	14,400
Other changes	348	52	-100
<b>Closing balance</b>	<b>76,626</b>	<b>93,645</b>	<b>83,178</b>

## ERICSSON

## OTHER INFORMATION

SEK million	Jan-June 2001	Jan-March 2001	Jan-June 2000	Change vs last year
<b><u>Number of shares and earnings per share</u></b>				
Number of shares outstanding, basic, end of period (million)	8,065	7,910	7,909	
Number of shares outstanding, diluted, end of period (million)	8,153	7,987	7,998	
Number of treasury shares , end of period (million)	157	2	2	
Average number of shares, basic (million)	7,909	7,908	7,869	
Average number of shares, diluted (million)	7,909**	7,985	7,993	
Earnings per share, basic (SEK)	-1.75	0.05	1.83	
Earnings per share, diluted (SEK)*	-1.75	0.06	1.82	
Earnings per share, diluted, per U.S. GAAP (SEK)	-1.74	-0.29	1.80	
<b><u>Ratios</u></b>				
Equity ratio	32.3%	38.7%	38.0%	
Capital turnover (times)	1.6	1.5	2.0	
Accounts receivable turnover (times)	3.3	3.0	3.9	
Inventory turnover (times)	4.4	3.3	4.5	
<b><u>Other</u></b>				
Research and development and other technical expenses (including costs related to customer orders)	23,454	11,155	19,147	22%
- As percentage of Net Sales	20%	20%	15%	
Additions to tangible fixed assets	6,062	2,797	5,468	11%
- Of which in Sweden	2,162	1,023	2,588	-16%
Total depreciation on tangible and intangible assets	3,593	2,283	3,934	-9%
- Of which goodwill	483	226	300	61%
Orders booked	136,665	75,499	144,195	-5%
Export from Sweden	63,673	36,457	76,394	-17%
Net debt	33,347	31,715	14,412	131%

**\* Calculation of earnings per share, diluted**

Net income	Calculation	424	14,400
Interest on convertible debentures, net after tax	not applicable	44	115
Adjusted net income	See below **	468	14,515
Average number of shares, diluted (million)		7,985	7,993
Earnings per share, diluted (SEK)		0.06	1.82

\*\* Potential ordinary shares are not dilutive when their conversion to ordinary shares would increase earnings per share.

## ORDERS BOOKED BY SEGMENT BY QUARTER

(SEK m.)

2000 restated for comparability

Year to date	2000				2001	
	0003	0006	0009	0012	0103	0106
<b>Systems</b>	57,944	103,503	153,219	213,164	62,583	113,286
<i>of which Mobile Systems</i>	48,471	85,757	125,738	175,609	52,625	94,841
<i>Multi-Service Networks</i>	9,473	17,746	27,481	37,555	9,958	18,445
<b>Phones</b>	14,562	27,988	42,113	56,937	7,178	14,813
<b>Other operations</b>	11,266	19,991	27,665	35,751	8,239	13,764
<b>Less : Intersegment sales</b>	-4,298	-7,287	-10,131	-13,508	-2,501	-5,198
<b>Total</b>	<b>79,474</b>	<b>144,195</b>	<b>212,866</b>	<b>292,344</b>	<b>75,499</b>	<b>136,665</b>

Change	0103	0106
<b>Systems</b>	8%	9%
<i>of which Mobile Systems</i>	9%	11%
<i>Multi-Service Networks</i>	5%	4%
<b>Phones</b>	-51%	-47%
<b>Other operations</b>	-27%	-31%
<b>Less : Intersegment sales</b>	-42%	-29%
<b>Total</b>	<b>-5%</b>	<b>-5%</b>

Isolated quarters	2000				2001	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Systems</b>	57,944	45,559	49,716	59,945	62,583	50,703
<i>of which Mobile Systems</i>	48,471	37,286	39,981	49,871	52,625	42,216
<i>Multi-Service Networks</i>	9,473	8,273	9,735	10,074	9,958	8,487
<b>Phones</b>	14,562	13,426	14,125	14,824	7,178	7,635
<b>Other operations</b>	11,266	8,725	7,674	8,086	8,239	5,525
<b>Less : Intersegment sales</b>	-4,298	-2,989	-2,844	-3,377	-2,501	-2,697
<b>Total</b>	<b>79,474</b>	<b>64,721</b>	<b>68,671</b>	<b>79,478</b>	<b>75,499</b>	<b>61,166</b>

Change	Q1	Q2
<b>Systems</b>	8%	11%
<i>of which Mobile Systems</i>	9%	13%
<i>Multi-Service Networks</i>	5%	3%
<b>Phones</b>	-51%	-43%
<b>Other operations</b>	-27%	-37%
<b>Less : Intersegment sales</b>	-42%	-10%
<b>Total</b>	<b>-5%</b>	<b>-5%</b>

## NET SALES BY SEGMENT BY QUARTER

(SEK m.)

2000 restated for comparability

Year to date	2000				2001	
	0003	0006	0009	0012	0103	0106
<b>Systems</b>	38,910	85,343	133,440	194,747	44,127	94,843
<i>of which Mobile Systems</i>	32,481	70,339	109,061	158,083	35,336	76,356
<i>Multi-Service Networks</i>	6,429	15,004	24,379	36,664	8,791	18,487
<b>Phones</b>	14,794	28,145	42,473	56,279	7,170	15,317
<b>Other operations</b>	9,297	17,801	25,888	35,927	7,249	14,162
<b>Less : Intersegment sales</b>	-3,916	-7,171	-10,341	-13,384	-2,614	-5,610
<b>Total</b>	<b>59,085</b>	<b>124,118</b>	<b>191,460</b>	<b>273,569</b>	<b>55,932</b>	<b>118,712</b>

Change	0103	0106
<b>Systems</b>	13%	11%
<i>of which Mobile Systems</i>	9%	9%
<i>Multi-Service Networks</i>	37%	23%
<b>Phones</b>	-52%	-46%
<b>Other operations</b>	-22%	-20%
<b>Less : Intersegment sales</b>	-33%	-22%
<b>Total</b>	<b>-5%</b>	<b>-4%</b>

Isolated quarters	2000				2001	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Systems</b>	38,910	46,433	48,097	61,307	44,127	50,716
<i>of which Mobile Systems</i>	32,481	37,858	38,722	49,022	35,336	41,020
<i>Multi-Service Networks</i>	6,429	8,575	9,375	12,285	8,791	9,696
<b>Phones</b>	14,794	13,351	14,328	13,806	7,170	8,147
<b>Other operations</b>	9,297	8,504	8,087	10,039	7,249	6,913
<b>Less : Intersegment sales</b>	-3,916	-3,255	-3,170	-3,043	-2,614	-2,996
<b>Total</b>	<b>59,085</b>	<b>65,033</b>	<b>67,342</b>	<b>82,109</b>	<b>55,932</b>	<b>62,780</b>

Change	Q1	Q2
<b>Systems</b>	13%	9%
<i>of which Mobile Systems</i>	9%	8%
<i>Multi-Service Networks</i>	37%	13%
<b>Phones</b>	-52%	-39%
<b>Other operations</b>	-22%	-19%
<b>Less : Intersegment sales</b>	-33%	-8%
<b>Total</b>	<b>-5%</b>	<b>-3%</b>

## ADJUSTED OPERATING INCOME AND OPERATING MARGIN BY SEGMENT BY QUARTER

(SEK m.)

2000 restated for comparability

Year to date	2000				2001	
	0003	0006	0009	0012	0103	0106
<b>Systems</b>	5,641	15,280	23,392	32,641	1,808	2,382
<b>Phones</b>	569	-1,544	-5,517	-15,613	-5,722	-10,350
<b>Other operations</b>	578	1,058	1,550	1,579	-118	25
<b>Unallocated*</b>	-413	-1,260	-1,171	-1,858	-331	-642
<b>Total</b>	<b>6,375</b>	<b>13,534</b>	<b>18,254</b>	<b>16,749</b>	<b>-4,363</b>	<b>-8,585</b>

Items affecting comparability:

- Non-operational capital gains/losses, net	-	4,738	6,164	5,933	42	3
- Capital gain Juniper Networks	-	-	-	15,383	5,453	5,453
- Pension refund	-	1,100	1,100	1,100	-	-
- Restructuring costs	-	-	-	-8,000	-	-15,000

As percentage of Net Sales	2000				2001	
	0003	0006	0009	0012	0103	0106
<b>Systems</b>	14%	18%	18%	17%	4%	3%
<b>Phones</b>	4%	-5%	-13%	-28%	-80%	-68%
<b>Other operations</b>	6%	6%	6%	4%	-2%	0%
<b>Total</b>	<b>11%</b>	<b>11%</b>	<b>10%</b>	<b>6%</b>	<b>-8%</b>	<b>-7%</b>

Isolated quarters	2000				2001	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Systems</b>	5,641	9,639	8,112	9,249	1,808	574
<b>Phones</b>	569	-2,113	-3,973	-10,096	-5,722	-4,628
<b>Other operations</b>	578	480	492	29	-118	143
<b>Unallocated*</b>	-413	-847	89	-687	-331	-311
<b>Total</b>	<b>6,375</b>	<b>7,159</b>	<b>4,720</b>	<b>-1,505</b>	<b>-4,363</b>	<b>-4,222</b>

Items affecting comparability:

- Non-operational capital gains/losses, net	-	4,738	1,426	-231	42	-39
- Capital gain Juniper Networks	-	-	-	15,383	5,453	-
- Pension refund	-	1,100	-	-	-	-
- Restructuring costs	-	-	-	-8,000	-	-15,000

As percentage of Net Sales	2000				2001	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Systems</b>	14%	21%	17%	15%	4%	1%
<b>Phones</b>	4%	-16%	-28%	-73%	-80%	-57%
<b>Other operations</b>	6%	6%	6%	0%	-2%	2%
<b>Total</b>	<b>11%</b>	<b>11%</b>	<b>7%</b>	<b>-2%</b>	<b>-8%</b>	<b>-7%</b>

\* "Unallocated" consists mainly of costs for corporate staffs, certain goodwill amortization and non-operational gains and losses



## ORDERS BOOKED BY MARKET AREA BY QUARTER

(SEK m.)

Year to date	2000				2001	
	0003	0006	0009	0012	0103	0106
Western Europe*	25,048	50,870	71,807	105,684	29,042	47,697
Central- and Eastern Europe, Middle East & Africa	17,388	24,503	32,104	40,972	11,273	17,606
North America	9,148	19,082	27,326	37,977	7,320	13,183
Latin America	9,695	19,312	33,053	44,959	12,638	22,723
Asia Pacific	18,195	30,428	48,576	62,752	15,226	35,456
<b>Total</b>	<b>79,474</b>	<b>144,195</b>	<b>212,866</b>	<b>292,344</b>	<b>75,499</b>	<b>136,665</b>
* Of which Sweden	2,924	6,010	7,983	9,876	1,998	5,135
* Of which EU	23,261	47,523	67,194	99,951	27,565	45,356

Change	0103	0106
Western Europe*	16%	-6%
Central- and Eastern Europe, Middle East & Africa	-35%	-28%
North America	-20%	-31%
Latin America	30%	18%
Asia Pacific	-16%	17%
<b>Total</b>	<b>-5%</b>	<b>-5%</b>
* Of which Sweden	-32%	-15%
* Of which EU	19%	-5%

Isolated quarters	2000				2001	
	Q1	Q2	Q3	Q4	Q1	Q2
Western Europe*	25,048	25,822	20,937	33,877	29,042	18,655
Central- and Eastern Europe, Middle East & Africa	17,388	7,115	7,601	8,868	11,273	6,333
North America	9,148	9,934	8,244	10,651	7,320	5,863
Latin America	9,695	9,617	13,741	11,906	12,638	10,085
Asia Pacific	18,195	12,233	18,148	14,176	15,226	20,230
<b>Total</b>	<b>79,474</b>	<b>64,721</b>	<b>68,671</b>	<b>79,478</b>	<b>75,499</b>	<b>61,166</b>
* Of which Sweden	2,924	3,086	1,972	1,893	1,998	3,137
* Of which EU	23,261	24,262	19,671	32,757	27,565	17,791

Change	Q1	Q2
Western Europe*	16%	-28%
Central- and Eastern Europe, Middle East & Africa	-35%	-11%
North America	-20%	-41%
Latin America	30%	5%
Asia Pacific	-16%	65%
<b>Total</b>	<b>-5%</b>	<b>-5%</b>
* Of which Sweden	-32%	2%
* Of which EU	19%	-27%

## NET SALES BY MARKET AREA BY QUARTER

(SEK m.)

Year to date	2000				2001	
	0003	0006	0009	0012	0103	0106
Western Europe*	23,578	47,011	70,090	100,234	18,024	37,154
Central- and Eastern Europe, Middle East & Africa	7,323	16,799	25,850	37,701	8,187	17,315
North America	8,549	19,263	27,704	35,193	7,186	14,961
Latin America	7,781	17,334	28,953	44,118	8,467	18,482
Asia Pacific	11,854	23,711	38,863	56,323	14,068	30,800
<b>Total</b>	<b>59,085</b>	<b>124,118</b>	<b>191,460</b>	<b>273,569</b>	<b>55,932</b>	<b>118,712</b>
* Of which Sweden	2,380	4,371	6,704	8,732	1,628	3,518
* Of which EU	22,052	44,031	65,754	94,293	17,046	35,020

Change	0103	0106
Western Europe*	-24%	-21%
Central- and Eastern Europe, Middle East & Africa	12%	3%
North America	-16%	-22%
Latin America	9%	7%
Asia Pacific	19%	30%
<b>Total</b>	<b>-5%</b>	<b>-4%</b>
* Of which Sweden	-32%	-20%
* Of which EU	-23%	-20%

Isolated quarters	2000				2001	
	Q1	Q2	Q3	Q4	Q1	Q2
Western Europe*	23,578	23,433	23,079	30,144	18,024	19,130
Central- and Eastern Europe, Middle East & Africa	7,323	9,476	9,051	11,851	8,187	9,128
North America	8,549	10,714	8,441	7,489	7,186	7,775
Latin America	7,781	9,553	11,619	15,165	8,467	10,015
Asia Pacific	11,854	11,857	15,152	17,460	14,068	16,732
<b>Total</b>	<b>59,085</b>	<b>65,033</b>	<b>67,342</b>	<b>82,109</b>	<b>55,932</b>	<b>62,780</b>
* Of which Sweden	2,380	1,991	2,333	2,028	1,628	1,890
* Of which EU	22,052	21,980	21,723	28,539	17,046	17,974

Change	Q1	Q2
Western Europe*	-24%	-18%
Central- and Eastern Europe, Middle East & Africa	12%	-4%
North America	-16%	-27%
Latin America	9%	5%
Asia Pacific	19%	41%
<b>Total</b>	<b>-5%</b>	<b>-3%</b>
* Of which Sweden	-32%	-5%
* Of which EU	-23%	-18%

## EXTERNAL ORDERS BOOKED BY MARKET AREA AND SEGMENT

(SEK m.)

<b>Year to date 2001</b>	<b>Systems</b>	<b>Phones</b>	<b>Other</b>	<b>Total</b>	<b>Share of Total</b>
Western Europe	35,787	5,036	6,874	47,697	35%
Central- and Eastern Europe, Middle East & Africa	15,865	1,185	556	17,606	13%
North America	10,410	2,710	63	13,183	10%
Latin America	19,961	1,876	886	22,723	16%
Asia Pacific	31,040	3,445	971	35,456	26%
<b>Total</b>	<b>113,063</b>	<b>14,252</b>	<b>9,350</b>	<b>136,665</b>	<b>100%</b>
<b>Share of Total</b>	<b>83%</b>	<b>10%</b>	<b>7%</b>	<b>100%</b>	

<b>Change compared to last year (%)</b>	<b>Systems</b>	<b>Phones</b>	<b>Other</b>	<b>Total</b>
Western Europe	24%	-58%	-31%	-6%
Central- and Eastern Europe, Middle East & Africa	-25%	-67%	N/A	-28%
North America	-16%	-49%	-95%	-31%
Latin America	26%	-27%	-5%	18%
Asia Pacific	26%	-23%	-25%	17%
<b>Total</b>	<b>10%</b>	<b>-49%</b>	<b>-30%</b>	<b>-5%</b>

## EXTERNAL NET SALES BY MARKET AREA AND SEGMENT

(SEK m.)

<b>Year to date 2001</b>	<b>Systems</b>	<b>Phones</b>	<b>Other</b>	<b>Total</b>	<b>Share of Total</b>
Western Europe	26,665	4,730	5,759	37,154	31%
Central- and Eastern Europe, Middle East & Africa	15,372	1,165	778	17,315	15%
North America	10,337	3,884	740	14,961	13%
Latin America	16,053	1,766	663	18,482	15%
Asia Pacific	26,229	3,415	1,156	30,800	26%
<b>Total</b>	<b>94,656</b>	<b>14,960</b>	<b>9,096</b>	<b>118,712</b>	<b>100%</b>
<b>Share of Total</b>	<b>80%</b>	<b>12%</b>	<b>8%</b>	<b>100%</b>	

<b>Change compared to last year (%)</b>	<b>Systems</b>	<b>Phones</b>	<b>Other</b>	<b>Total</b>
Western Europe	-3%	-61%	-22%	-21%
Central- and Eastern Europe, Middle East & Africa	26%	-68%	-19%	3%
North America	-21%	-26%	-21%	-22%
Latin America	15%	-19%	-43%	7%
Asia Pacific	45%	-27%	26%	30%
<b>Total</b>	<b>12%</b>	<b>-46%</b>	<b>-20%</b>	<b>-4%</b>

## NUMBER OF EMPLOYEES BY SEGMENT BY QUARTER

	2000				2001	
	0003	0006	0009	0012	0103	0106
<b>Systems</b>	64,836	66,207	68,571	71,102	75,081	76,636
<b>Phones</b>	17,290	17,710	18,137	16,840	14,461	7,837
<b>Other operations</b>	19,167	16,324	15,602	16,059	16,453	14,005
<b>Unallocated</b>	1,030	1,076	1,084	1,128	1,264	1,343
<b>Total</b>	<b>102,323</b>	<b>101,317</b>	<b>103,394</b>	<b>105,129</b>	<b>107,259</b>	<b>99,821</b>

<b>Change</b>	<b>0103</b>	<b>0106</b>
<b>Systems</b>	16%	16%
<b>Phones</b>	-16%	-56%
<b>Other operations</b>	-14%	-14%
<b>Unallocated</b>	23%	25%
<b>Total</b>	<b>5%</b>	<b>-1%</b>

## TOP 10 MARKETS IN NET SALES AND ORDERS BOOKED

Year to date 2001

<b>Net sales</b>		<b>Orders booked</b>	
<b>Top 10 Markets</b>	<b>Share of total net sales</b>	<b>Top 10 Markets</b>	<b>Share of total orders booked</b>
China	12%	China	13%
United States	11%	United States	9%
Brazil	6%	Mexico	7%
United Kingdom	6%	Brazil	6%
Mexico	5%	Germany	6%
Italy	5%	Italy	6%
Japan	4%	Spain	6%
Spain	4%	United Kingdom	5%
Turkey	4%	Japan	4%
Germany	3%	Sweden	4%