

Ericsson reports significantly reduced operating expenses

- *GSM/WCDMA sales increased 2% sequentially, market position strengthened*
- *Adjusted income before taxes of SEK -3.9 b.*
- *Cash flow before financing SEK -2.7 b.*
- *Financial position strengthened by successful rights offering*
- *Order intake of SEK 25.9 b., backlog reduced by cancellations*

PRO FORMA (excl EPS)	Third quarter			Nine months		
	2002	2001	Change	2002	2001	Change
SEK b.						
Orders, net	* 20.5	38.1	-46%	* 97.7	161.8	-40%
- Systems	17.9	35.3	-49%	86.8	149.1	-42%
- Other operations	5.5	4.8	14%	18.0	20.0	-10%
Sales	33.5	47.0	-29%	109.0	152.3	-28%
- Systems	30.6	43.1	-29%	98.7	138.6	-29%
- Other operations	5.8	6.0	-4%	17.5	21.5	-19%
Adjusted Operating Income ¹⁾	-3.4	-5.8		-10.6	-14.2	
- Systems	-1.3	0.1		-5.0	2.6	
- Phones	-0.5	-4.0		-1.0	-13.9	
- Other operations	-1.2	-1.6		-3.5	-1.9	
- Unallocated	-0.4	-0.3		-1.1	-1.0	
Adjusted Operating Margin ¹⁾	-10%	-12%		-10%	-9%	
- Systems	-4%	0%		-5%	2%	
- Other operations	-20%	-27%		-20%	-9%	
Adjusted Income Before Taxes ¹⁾	-3.9	-6.4		-12.8	-16.3	
Net Income	-5.6	-4.3		-12.8	-18.0	
Earnings per share, diluted (SEK)	-0.41	-0.37		-0.93	-1.63	
Cash flow before financing activities	-2.7	2.2		-8.7	-13.2	
Number of employees				71,723	88,672	

¹⁾ Adjusted for:

- Capital gain, Juniper	-	-	-	5.5
- Non-operational capital gains	0.1	0.2	0.2	0.2
- Restructuring charges net	-4.2	0.0	-5.7	-15.0

* Reported orders net include deductions of cancellations of SEK 5.4 b., mostly related to 3G contracts in Germany.

CEO COMMENTS

“Mobile communications is a long-term growth business. Over half a million new subscribers sign up each day and people are using their phones more and more. With only 17% worldwide penetration and mobile data just beginning, significant need for network expansion lies ahead,” says Kurt Hellström, President and CEO of Ericsson.

In the near-term, the industry outlook continues to be uncertain. Many operators pursue more gradual 3G rollouts or target fewer markets. However, we are also seeing consolidations, restructurings and a more favorable regulatory environment, which we view as positive signs toward market stabilization.

The benefit of our restructuring is evident. We are driving efficiency throughout the organization to return to profit at some point next year. The rights offering proceeds have given us the financial security to make these changes.

We are one of the strongest in our industry and are uniquely positioned to expand our business with the world’s leading operators. We are increasing our market share in GSM/WCDMA systems and capturing new business with professional services and technology licensing.

MARKET VIEW

The number of mobile subscribers continues to grow. We estimate that more than 45 million new subscribers were added worldwide during the third quarter. At this rate, we expect net subscriber additions this year to be toward the lower end of our 175 - 215 million forecast.

In line with industry consensus estimates, we believe that the size of the mobile systems market in 2001 was about USD 53 b. We expect the mobile systems market in 2002 to decline about 20%, in line with our previous estimate of more than 15%.

We anticipate that the market in 2003 will not decline as much as this year, and will begin to stabilize at a lower level. A moderate increase in 3G sales should partly compensate for the lower demand for mature technologies such as TDMA and PDC.

Within the wireline systems market, we now believe the traditional circuit-switching business will shrink by more than 60% in 2002, compared with our previous estimate of more than 40%. Consequently, the overall wireline systems market, which also includes broadband access, optical transmission and multi-service networks, will decline significantly more than the 20% we estimated earlier.

We believe that approximately 92 million mobile phones were shipped in the second quarter and approximately 100 million in the third quarter. We had previously estimated 85 million units for the second quarter. Our full-year market estimate is about 390 million units.

COST REDUCTIONS AND OPERATIONAL REALIGNMENT

In the second quarter report we announced that we are targeting an annualized operating expense run rate of SEK 38 b. as well as a 2 - 4 percentage point improvement in gross margins. Implementation should be completed by end of third quarter 2003.

In the third quarter our operating expense annual run rate excluding restructuring costs was reduced by SEK 5 b. to SEK 52 b. At the end of the quarter we were 71,700 employees, a workforce reduction of 4,500 employees during the quarter. We expect to be less than 60,000 by the end of 2003.

The total cost for this restructuring plan is estimated to be SEK 17.5 b. During the quarter, restructuring charges were SEK 4.2 b. of which SEK 3.5 b. is related to redundancies. SEK 0.7 b. were related to the write-down of inventory and fixed assets as well as other costs for establishing more flexible operations.

RIGHTS OFFERING

The rights offering was oversubscribed by 37%. Proceeds net of fees and other costs were SEK 29.0 b. The rights offering increased the number of B shares outstanding by 7,908,754,111.

OPERATIONAL AND FINANCIAL REVIEW

In addition to the primary format, financial statements are also reported in a pro forma format. The primary format is based on Swedish GAAP (please see section Accounting Principles), and the previous year is restated for consolidation of finance companies previously accounted for according to the equity method. The pro forma format portrays results of operations as if capitalization of development costs was made on a continuous basis, and with results of operations transferred to Sony Ericsson October 1, 2001, reported in "Share in earnings of Associated companies and JVs." Comments below refer to pro forma statements unless otherwise indicated.

SYSTEMS

Order intake, excluding cancellations of SEK 5.4 b., declined by SEK 12 b. compared to the third quarter last year. The order cancellations are largely related to 3G and include contracts with Mobilcom and Quam in Germany. Adjusted for cancellations, quarterly order bookings 2002 have developed as follows, compared to 2001:

Table: Systems order development

(SEK b.)	Q1	Q2	Q3	9 months
2001	62.8	51.0	35.3	149.1
2002	39.8	33.7	23.3	96.8
Change %	-37%	-34%	-34%	-35%
Cancellations 2002	-2.1	-2.5	-5.4	-10.0
2002 Net	37.7	31.2	17.9	86.8
Change %	-40%	-39%	-49%	-42%

While total Systems sales in the quarter declined year-over-year, sales in our Professional Services business grew almost 10%. Professional Services is the largest part of our Global Services business and now accounts for 14% of total Systems sales. With year-to-date sales of SEK 25 b., our Global Services operation is the largest service business among telecom equipment suppliers.

Mobile Systems

The lower order bookings were primarily due to weak demand for TDMA and PDC systems, combined with the order cancellations for 3G.

Sales in the quarter of our GSM/WCDMA track increased 2% sequentially, strengthening our leading market position. Year-to-date, sales of WCDMA equipment and associated network rollout services represent 8% of Mobile Systems sales.

Multi-Service Networks

Orders and sales in the quarter both declined by approximately 60% compared to last year, primarily driven by continued weak traditional circuit-switching equipment markets in both Latin America and Western Europe. Our ENGINE solution continues to improve its competitive position with more than 40% of the market.

PHONES

Our 50% share of income from Sony Ericsson Mobile Communications is included in "Earnings from Joint Ventures and Associated Companies." The retained activities, including technology licensing and phone manufacturing in China, are reported as part of "Other Operations."

Sony Ericsson Mobile Communications

High-end phones continued to be the joint venture's best selling models, particularly the T68i. The demand for our phones with camera accessories shows that Sony Ericsson is at the forefront of mobile multi-media devices. Several new models targeting the mid and entry-level segments were launched and sales started to gain momentum late in the quarter. However, sales of SEK 8.2 b. on unit volumes of 5.0 million were not sufficient to generate a positive result. Our 50% share of income before taxes was SEK -0.5 b.

OTHER OPERATIONS

Orders increased by 14% over third quarter last year as orders for our Mobile Platforms developed favorably.

Total sales in the quarter for Other Operations declined by 4%. Strong sales growth in Mobile Platforms partially compensated for lower sales in Network Technology, Enterprise and Defense operations.

Adjusted operating income in Other Operations was SEK -1.2 b. with most of the losses attributable to Microelectronics and Network Technology. Although development in our Mobile Platforms and Bluetooth operations is promising they are still in an investment phase and not yet profitable.

The divesture of the bulk of our Microelectronics operation was completed during the quarter, with a net capital gain of SEK 0.1 b. Ericsson has agreed to staff a factory in Sweden for Infineon for one to two years. Provisions have been made to cover the estimated closure costs at the end of this period.

CONSOLIDATED ACCOUNTS

Income

Net sales in the third quarter were down 29% year-over-year and 13% sequentially. The gross margin remained stable at the same level as in the second quarter. The positive effects of our cost savings offset lower sales volume.

The current operating expense run rate is SEK 52 b. per year. This excludes increased customer financing risk provisions of SEK 1.3 b. and is adjusted for normal seasonality for the third quarter.

Restructuring costs in the quarter were SEK 4.2 b., compared to SEK 1.5 b. in the second quarter.

Share in earnings of associated companies was SEK -0.6 b. mainly due to the negative result in Sony Ericsson in the quarter.

The effect of changes in foreign currency exchange rates in the quarter compared to rates one year ago was SEK 0.6 b. In the first quarter the effect was SEK 0.4 b. and in the second quarter 0.8 b.

Financial net improved marginally compared to the previous quarter as a result of the net proceeds from the rights offering concluded in September.

Adjusted income before taxes was SEK -3.9 b. (-5.8) in the quarter. Excluding provisions for customer financing of SEK 1.3 b. and SEK 0.5 b. respectively, this is an improvement of SEK 0.4 b. from the previous quarter. Tax is calculated at an average estimated rate of 30%.

Diluted earnings per share were SEK -0.93 (-1.63). Prior periods have been adjusted for the stock dividend element of the stock issue. After the stock issue, the number of shares outstanding is now 15,974,258,678.

Balance sheet and financing

We increased our cash position during the quarter from SEK 47.6 b. to SEK 74.4 b. primarily with the proceeds from the rights offering in early September. Net debt was reduced from SEK 21.2 b. to SEK -5.2 b. and the equity ratio increased from 31.6 % to 38.3 %.

On September 12, the rating agency Moody's downgraded Ericsson's long-term credit rating to Ba2.

Inventory and receivables declined in line with the lower sales volume. Inventory turnover improved slightly to 4.3 turns, while days sales outstanding (DSO) increased from 101 to 103 days. Accounts payable declined with lower purchases due to lower volumes.

Total customer financing risk exposure was reduced by SEK 2.9 b. On-balance sheet credits increased by SEK 2.3 b. largely due to the put-back of a credit that was formerly off-balance sheet. Off-balance sheet risk exposure as well as outstanding financing commitments was reduced considerably, as we cancelled certain commitments.

During October, we repurchased the off-balance sheet Mobilcom credits, which we expect to be able to convert into France Telecom bonds as previously announced.

The financial arrangements with a syndicate of banks for the refinancing of the portfolio of customer credits will be withdrawn on October 30. This is not expected to significantly affect cash flow or risk exposure.

On completion of these transactions, no put options will remain outstanding.

Table: Customer financing risk exposure

	Dec 31	Mar 31	Jun 30	Sep 30
(SEK b.)	2001	2002	2002	2002
On-balance-sheet credits	18.7	16.8	16.6	18.9
Off-balance-sheet credits	12.8	12.3	11.5	6.8
Total credits	31.5	29.1	28.1	25.7
Less third party risk coverage	-4.7	-1.4	-0.3	-0.8
Ericsson risk exposure	26.8	27.7	27.8	24.9
On-balance-sheet credits, net book value	14.8	12.7	12.4	12.7
Off-balance-sheet credits recorded as contingent liabilities	10.6	10.1	9.1	5.1
Financing commitments	31.2	28.1	25.3	14.0

Other long-term receivables include deferred tax assets of SEK 26.3 b., related to countries with long or indefinite utilization periods. Deferred tax assets have increased by SEK 5.4 b. during 2002.

Cash flow

Cash flow before financing activities was SEK -2.7 b. in the quarter. This includes SEK 2.3 b. from the sale of our Microelectronics operations, which was offset by the take back of off-balance sheet customer financing of SEK 2.3 b. Swedish pension insurance company FPG was paid a cash collateral of SEK 1.5 b. and given a bank guarantee of SEK 1.2 b. Excluding the cash effect of these items, cash flow before financing was approximately SEK -1.2 b.

Short-term borrowings were reduced by SEK 1.0 b. in the quarter and long-term debt was unchanged. Payment readiness at the end of September, after completion of the rights offering, was 47 %, compared to 27 % at the end of June.

OUTLOOK

In our second quarter report we indicated that our sales would develop in line with an estimated market decline of more than 15% during 2002.

We believe that we will continue to maintain our share in each technology segment of the mobile systems market. However, due to product mix, our Mobile Systems sales this year could decline more than our revised estimate of an overall market decline of 20%. A comparatively strong performance in GSM/WCDMA is mainly being offset by our exposure to the sharply declining TDMA and PDC markets.

The market remains unpredictable. We continue to adjust to the prevailing market conditions and expect a return to profit at some point in 2003.

PARENT COMPANY INFORMATION

The Parent Company business consists mainly of corporate management and holding company functions. It also includes activities performed on a commission basis by Ericsson Treasury Services AB and Ericsson Credit AB regarding internal banking and customer credit management. The Parent Company has branch- and representative offices in 16 (15) countries.

Net sales for nine months were SEK 1.2 b. (4.1) and income after financial items was SEK 0.6 b. (11.1).

Major changes in the company's financial position were:

- Increased current and long-term commercial and financial receivables from subsidiaries of SEK 24.0 b.
- Increased short-term and long-term customer financing of SEK 3.2 b.
- Increased cash and short-term cash investments of SEK 16.7 b.

The investments were financed primarily through increased internal borrowing of SEK 17 b. and increased stockholders' equity, due to the new rights issue in September 2002, of SEK 29 b. At end of quarter, cash and short-term cash investments amounted to SEK 66 (49) b.

In accordance with the conditions of the Stock Purchase Plan for Ericsson employees, 205,072 shares from treasury stock were distributed during the third quarter to employees who left Ericsson. An additional 25,800 shares were sold in order to cover social security costs related to the Stock Purchase Plan. The holding of treasury stock at September 30, 2002, was 156,545,108 Class B shares.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20, Interim reports.

We have changed accounting principles since our latest annual report.

The following Swedish GAAP recommendations are now implemented:

RR 1:00, Consolidated financial statements

RR 15, Intangible assets

RR 16, Provisions, contingent liabilities and contingent assets

RR 17, Impairment of assets

RR 19, Discontinuing operations

RR 21, Borrowing costs

RR 23, Related party disclosures

The only material effects of these new standards relate to RR1:00, regarding consolidation of controlled companies, and RR 15, regarding capitalization of development costs.

According to RR1:00 we have consolidated as subsidiaries certain finance companies previously accounted for under the equity method. We have restated previous year in our primary statements.

According to RR 15, starting from January 1, 2002 we have capitalized certain development costs. In accordance with this rule, we have not restated our primary accounts.

We also present pro forma statements, where we have assumed that the principle of capitalization of such development costs had been applied in all periods. For this purpose, we have used the amounts for capitalized development costs we already calculated and used in previous periods' reconciliation to US GAAP.

Our pro forma statement is also adjusted to portray our operations as if the mobile phones operations transferred to the Sony Ericsson joint venture on October 1, 2001, were accounted for under the equity method for the whole year 2001.

Stockholm, October 18, 2002

Kurt Hellström

President and CEO

Date for next report: February 3, 2003

This report is the fourth consecutive quarterly report that has included pro forma statements to facilitate comparison with previous periods. From the fourth quarter, the primary accounts will be comparable and pro forma reporting will be discontinued.

Auditors' Report

We have reviewed the Interim Report as of September 30, 2002, for Telefonaktiebolaget LM Ericsson (publ). We conducted our review in accordance with the recommendation issued by FAR. A review is limited primarily to enquires of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report does not comply with the requirements in the Annual Account Act.

Stockholm, October 18, 2002

Carl-Eric Bohlin
Authorized Public Accountant
PricewaterhouseCoopers AB

Olof Herolf
Authorized Public Accountant
PricewaterhouseCoopers AB

Thomas Thiel
Authorized Public Accountant

Safe Harbor Statement of Ericsson under the Private Securities Litigation Reform Act of 1995;

All statements made or incorporated by reference in this release, other than statements or characterizations of historical fact, are forward-looking statements. These forward-looking statements are based on our current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by us. Forward-looking statements can often be identified by words such as "anticipates", "expects", "intends", "plans", "predicts", "believes", "seeks", "estimates", "may", "will", "should", "would", "potential", "continue", and variations or negatives of these words, and include, among others, statements regarding: (i) strategies, outlook and growth prospects; (ii) positioning to deliver future plans and to realize potential for future growth; (iii) liquidity and capital resources and expenditure, and our credit ratings; (iv) growth in demand for our products and services; (v) our joint venture activities; (vi) economic outlook and industry trends; (vii) developments of our markets; (viii) the impact of regulatory initiatives; (ix) research and development expenditures; (x) the strength of our competitors; (xi) future cost savings; and (xii) plans to launch new products and services.

In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These forward-looking statements speak only as of the date hereof and are based upon the information available to us at this time. Such information is subject to change, and we will not necessarily inform you of such changes. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. Important factors that may cause such a difference for Ericsson include, but are not limited to: (i) material adverse changes in the markets in which we operate or in global economic conditions; (ii) increased product and price competition; (iii) further reductions in capital expenditure by network operators; (iv) the cost of technological innovation and increased expenditure to improve quality of service; (v) significant changes in market share for our principal products and services; (vi) foreign exchange rate fluctuations; and (vii) the successful implementation of our business and operational initiatives.

A glossary of all technical terms is available at: <http://www.ericsson.com/about> and in the annual report.

To read the full report, please go to: www.ericsson.com/investors/9month02-en.pdf

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ERICSSON
CONSOLIDATED INCOME STATEMENT - PRO FORMA

SEK million	July-Sep			Jan-Sep		
	2002	2001 ¹⁾	Change	2002	2001 ¹⁾	Change
Net sales	33,513	47,004	-29%	109,024	152,299	-28%
Cost of sales	-22,572	-30,729	-27%	-73,856	-95,475	-23%
Gross margin	10,941	16,275	-33%	35,168	56,824	-38%
Gross margin as percentage of net sales	32.6%	34.6%		32.3%	37.3%	
Restructuring costs	-1,669	-		-2,107	-2,600	
Gross margin after restructuring costs	9,272	16,275		33,061	54,224	
Research and development and other technical expenses	-6,562	-9,749	-33%	-22,091	-30,717	-28%
Selling expenses	-4,944	-5,570	-11%	-15,569	-19,420	-20%
Administrative expenses	-2,145	-2,494	-14%	-7,302	-8,225	-11%
Capitalization of development expenses, net	-198	-529		-441	-302	
Operating expenses	-13,849	-18,342	-24%	-45,403	-58,664	-23%
Operating expenses as percentage of net sales	41.3%	39.0%		41.6%	38.5%	
Restructuring costs	-2,540	-		-3,814	-8,500	
Operating expenses including restructuring costs	-16,389	-18,342		-49,217	-67,164	
Capital gains/losses	-37	-95		-31	5,684	
Other operating revenues	267	549	-51%	1,069	1,547	-31%
Share in earnings of JV and assoc. companies	-629	-4,018	-84%	-1,209	-14,004	-91%
Restructuring costs net, Phones	-	-		230	-3,900	
Operating income^{*)}	-7,516	-5,631		-16,097	-23,613	
Financial income	569	976	-42%	2,098	2,835	-26%
Financial expenses	-991	-1,199	-17%	-3,883	-4,098	-5%
Income after financial items	-7,938	-5,854		-17,882	-24,876	
Minority interest in income before taxes	-41	-332		-385	-804	
Income before taxes	-7,979	-6,186		-18,267	-25,680	
Taxes	2,395	1,857		5,486	7,705	
Net income	-5,584	-4,329		-12,781	-17,975	
^{*)} Of which items affecting comparability						
Non-operational capital gains/losses, net	118	165		217	168	
Capital gain, Juniper Networks	-	-		-	5,453	
Restructuring costs, net	-4,209	-		-5,691	-15,000	
Total	-4,091	165		-5,474	-9,379	
Adjusted operating income	-3,425	-5,796		-10,623	-14,234	
Adjusted operating margin (%)	-10.2%	-12.3%		-9.7%	-9.3%	
Adjusted income before taxes	-3,888	-6,351		-12,793	-16,301	

1) Restated for changed accounting principles in Sweden 2002 regarding capitalization of development costs had been applied also in previous years, and restated for reclassification of revenue between operating revenues and financial net (Q1 193, Q2 189, Q3 194, Q4 280 SEK million). Pro forma format also reflects results with parts of Phones transferred to the joint venture Sony Ericsson Mobile Communications, accounted for under the equity method reported under Share in earnings of JV and assoc. companies.

ERICSSON
CONSOLIDATED INCOME STATEMENT - PRO FORMA
ISOLATED QUARTERS

SEK million	2001 ¹⁾				2002		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net sales	49,760	55,535	47,004	58,538	36,966	38,545	33,513
Cost of sales	-29,341	-35,405	-30,729	-42,648	-25,253	-26,031	-22,572
Gross margin	20,419	20,130	16,275	15,890	11,713	12,514	10,941
Gross margin as percentage of net sales	41.0%	36.2%	34.6%	27.1%	31.7%	32.5%	32.6%
Restructuring costs	-	-2,600	-	-2,258	-	-438	-1,669
Gross margin after restructuring costs	20,419	17,530	16,275	13,632	11,713	12,076	9,272
R&D and other technical expenses	-9,507	-11,461	-9,749	-9,530	-8,529	-7,000	-6,562
Selling expenses	-7,504	-6,346	-5,570	-8,165	-5,592	-5,033	-4,944
Administrative expenses	-2,804	-2,927	-2,494	-2,950	-2,652	-2,505	-2,145
Capitalization of development expenses, net	-4	231	-529	-1,833	-64	-179	-198
Operating expenses	-19,819	-20,503	-18,342	-22,478	-16,837	-14,717	-13,849
Operating expenses as percentage of net sales	39.8%	36.9%	39.0%	38.4%	45.5%	38.2%	41.3%
Restructuring costs	-	-8,500	-	2,258	-	-1,274	-2,540
Operating expenses incl. restructuring costs	-19,819	-29,003	-18,342	-20,220	-16,837	-15,991	-16,389
Capital gains	5,712	67	-95	442	267	-261	-37
Other operating revenues	285	713	549	902	504	298	267
Share in earnings of JV and assoc. companies	-5,511	-4,475	-4,018	-658	-56	-524	-629
Restructuring costs net, Phones	-	-3,900	-	-	-	230	-
Operating income ¹⁾	1,086	-19,068	-5,631	-5,902	-4,409	-4,172	-7,516
Financial income	1,234	625	976	1,980	889	640	569
Financial expenses	-1,529	-1,370	-1,199	-2,491	-1,682	-1,210	-991
Income after financial items	791	-19,813	-5,854	-6,413	-5,202	-4,742	-7,938
Minority interest in income before taxes	-185	-287	-332	-351	-107	-237	-41
Income before taxes	606	-20,100	-6,186	-6,764	-5,309	-4,979	-7,979
Taxes	-185	6,033	1,857	1,981	1,593	1,498	2,395
Net income	421	-14,067	-4,329	-4,783	-3,716	-3,481	-5,584
¹⁾ <u>Of which items affecting comparability</u>							
Non-operational capital gains/losses, net	42	-39	165	179	102	-3	118
Capital gain, Juniper	5,453	-	-	-	-	-	-
Restructuring costs, net	-	-15,000	-	-	-	-1,482	-4,209
Total	5,495	-15,039	165	179	102	-1,485	-4,091
Adjusted operating income	-4,409	-4,029	-5,796	-6,081	-4,511	-2,687	-3,425
Adjusted operating margin (%)	-8.9%	-7.3%	-12.3%	-10.4%	-12.2%	-7.0%	-10.2%
Adjusted income before taxes	-4,889	-5,061	-6,351	-6,943	-5,411	-3,494	-3,888

1) Restated for changed accounting principles in Sweden 2002 regarding capitalization of development costs had been applied also in previous years, and restated for reclassification of revenue between operating revenues and financial net (Q1 193, Q2 189, Q3 194, Q4 280 SEK million). Pro forma format also reflects results with parts of Phones transferred to the joint venture Sony Ericsson Mobile Communications, accounted for under the equity method reported under Share in earnings of JV and assoc. companies.

ERICSSON
CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Jan-Sep		Jan-Dec
	2002	2001 ¹⁾	2001 ¹⁾
Net income and adjustments to reconcile net income to cash	-17,893	-31,031	-34,821
Changes in operating net assets			
Inventories	1,700	17,153	20,103
Customer financing, short-term and long-term	700	-302	3,903
Accounts receivable	10,518	14,467	19,653
Other	-8,411	-16,928	-7,420
Cash flow from operating activities	-13,386	-16,641	1,418
Cash flow from investing activities	4,647	3,393	5,251
Cash flow before financing activities	-8,739	-13,248	6,669
Dividends paid	-432	-4,365	-4,295
Stock issue	28,957	155	155
Other financing activities	-12,751	21,868	29,886
Cash flow from financing activities	15,774	17,658	25,746
Effect of exchange rate changes on cash	-1,565	137	738
Net change in cash	5,470	4,547	33,153
Cash and cash equivalents, beginning of period	68,924	35,771	35,771
Cash and cash equivalents, end of period	74,394	40,318	68,924

¹⁾ Restated for changed accounting principles in Sweden 2002 regarding consolidation of companies with a controlling interest.

ERICSSON
ADJUSTED OPERATING INCOME AND OPERATING MARGIN BY SEGMENT BY QUARTER - PRO FORMA
SEK million

Year to date	2001 ^{1,2)}				2002		
	0103	0106	0109	0112	0203	0206	0209
Systems	1,962	2,442	2,559	1,104	-2,863	-3,738	-5,045
Phones	-5,512	-9,964	-13,947	-14,649	-	-442	-992
Other operations	-603	-243	-1,863	-5,111	-1,343	-2,318	-3,477
Unallocated ³⁾	-256	-673	-983	-1,659	-305	-700	-1,109
Total	-4,409	-8,438	-14,234	-20,315	-4,511	-7,198	-10,623

Items affecting comparability:

- Non-operational capital gains/losses, net	42	3	168	347	102	99	217
- Capital gain Juniper Networks	5,453	5,453	5,453	5,453	-	-	-
- Restructuring costs, net	-	-15,000	-15,000	-15,000	-	-1,482	-5,691
Total	5,495	-9,544	-9,379	-9,200	102	-1,383	-5,474

As percentage of Net Sales	2001 ^{1,2)}				2002		
	0103	0106	0109	0112	0203	0206	0209
Systems	4%	3%	2%	1%	-9%	-5%	-5%
Phones ⁴⁾	-	-	-	-	-	-	-
Other operations	-8%	-2%	-9%	-16%	-24%	-20%	-20%
Total	-9%	-8%	-9%	-10%	-12%	-10%	-10%

Isolated quarters	2001 ^{1,2)}				2002		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Systems	1,962	480	117	-1,455	-2,863	-875	-1,307
Phones	-5,512	-4,452	-3,983	-702	-	-442	-550
Other operations	-603	360	-1,620	-3,248	-1,343	-975	-1,159
Unallocated ³⁾	-256	-417	-310	-676	-305	-395	-409
Total	-4,409	-4,029	-5,796	-6,081	-4,511	-2,687	-3,425

Items affecting comparability:

- Non-operational capital gains/losses, net	42	-39	165	179	102	-3	118
- Capital gain Juniper Networks	5,453	-	-	-	-	-	-
- Restructuring costs, net	-	-15,000	-	-	-	-1,482	-4,209
Total	5,495	-15,039	165	179	102	-1,485	-4,091

As percentage of Net Sales	2001 ^{1,2)}				2002		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Systems	4%	1%	-	-3%	-9%	-3%	-4%
Phones ⁴⁾	-	-	-	-	-	-	-
Other operations	-8%	5%	-27%	-32%	-24%	-16%	-20%
Total	-9%	-7%	-12%	-10%	-12%	-7%	-10%

1) Restated for changed accounting principles in Sweden 2002 regarding capitalization of development costs had been applied also in previous years. Pro forma format also reflects results with parts of Phones transferred to the joint venture Sony Ericsson Mobile Communications accounted for under the equity method reported under Share in earnings of JV and assoc. companies.

2) Restated for reclassification of revenue between operating revenues and financial net (Q1 193, Q2 189, Q3 194, Q4 280 SEK million)

3) "Unallocated" consists mainly of costs for corporate staffs, certain goodwill amortization and non-operational gains and losses.

4) Calculation not applicable.

ORDERS BOOKED BY SEGMENT BY QUARTER - PRO FORMA

SEK million

Year to date	2001 ¹⁾				2002		
	0103	0106	0109	0112	0203	0206	0209
Systems	62,822	113,779	149,085	183,281	37,701	68,898	86,836
<i>of which Mobile Systems</i>	54,731	98,568	129,932	161,433	35,008	63,253	79,440
<i>Multi-Service Networks</i>	8,091	15,211	19,153	21,848	2,693	5,645	7,396
Other operations	9,011	15,211	19,983	27,411	6,268	12,575	18,025
Less : Intersegment orders	-2,524	-5,249	-7,231	-8,925	-2,076	-4,315	-7,173
Total	69,309	123,741	161,837	201,767	41,893	77,158	97,688
Change					0203	0206	0209
Systems					-40%	-39%	-42%
<i>of which Mobile Systems</i>					-36%	-36%	-39%
<i>Multi-Service Networks</i>					-67%	-63%	-61%
Other operations					-30%	-17%	-10%
Less : Intersegment orders					-	-	-
Total					-40%	-38%	-40%
Isolated quarters	2001 ¹⁾				2002		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Systems	62,822	50,957	35,306	34,196	37,701	31,197	17,938
<i>of which Mobile Systems</i>	54,731	43,837	31,364	31,501	35,008	28,245	16,187
<i>Multi-Service Networks</i>	8,091	7,120	3,942	2,695	2,693	2,952	1,751
Other operations	9,011	6,200	4,772	7,428	6,268	6,307	5,450
Less : Intersegment orders	-2,524	-2,725	-1,982	-1,694	-2,076	-2,239	-2,858
Total	69,309	54,432	38,096	39,930	41,893	35,265	20,530
Change					Q1	Q2	Q3
Systems					-40%	-39%	-49%
<i>of which Mobile Systems</i>					-36%	-36%	-48%
<i>Multi-Service Networks</i>					-67%	-59%	-56%
Other operations					-30%	2%	14%
Less : Intersegment orders					-	-	-
Total					-40%	-35%	-46%

NET SALES BY SEGMENT BY QUARTER - PRO FORMA

SEK million

Year to date	2001 ¹⁾				2002		
	0103	0106	0109	0112	0203	0206	0209
Systems	44,367	95,429	138,576	188,697	33,323	68,104	98,716
<i>of which Mobile Systems</i>	37,046	80,167	117,503	161,554	30,036	61,834	90,066
<i>Multi-Service Networks</i>	7,321	15,262	21,073	27,143	3,287	6,270	8,650
Other operations	8,025	15,534	21,542	31,762	5,706	11,733	17,509
Less : Intersegment sales	-2,632	-5,668	-7,819	-9,622	-2,063	-4,326	-7,201
Total	49,760	105,295	152,299	210,837	36,966	75,511	109,024
Change					0203	0206	0209
Systems					-25%	-29%	-29%
<i>of which Mobile Systems</i>					-19%	-23%	-23%
<i>Multi-Service Networks</i>					-55%	-59%	-59%
Other operations					-29%	-24%	-19%
Less : Intersegment sales					-	-	-
Total					-26%	-28%	-28%
Isolated quarters	2001 ¹⁾				2002		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Systems	44,367	51,062	43,147	50,121	33,323	34,781	30,612
<i>of which Mobile Systems</i>	37,046	43,121	37,336	44,051	30,036	31,798	28,232
<i>Multi-Service Networks</i>	7,321	7,941	5,811	6,070	3,287	2,983	2,380
Other operations	8,025	7,509	6,008	10,220	5,706	6,027	5,776
Less : Intersegment sales	-2,632	-3,036	-2,151	-1,803	-2,063	-2,263	-2,875
Total	49,760	55,535	47,004	58,538	36,966	38,545	33,513
Change					Q1	Q2	Q3
Systems					-25%	-32%	-29%
<i>of which Mobile Systems</i>					-19%	-26%	-24%
<i>Multi-Service Networks</i>					-55%	-62%	-59%
Other operations					-29%	-20%	-4%
Less : Intersegment sales					-	-	-
Total					-26%	-31%	-29%

¹⁾ Pro forma format reflects parts of Phones transferred to Sony Ericsson Mobile Communications.

ORDERS BOOKED BY MARKET AREA BY QUARTER - PRO FORMA

SEK million

Year to date	2001 ¹⁾				2002		
	0103	0106	0109	0112	0203	0206	0209
Europe, Middle East & Africa*	37,329	59,083	81,096	92,702	19,493	37,184	46,738
North America	6,191	10,473	14,830	24,635	7,003	12,837	17,310
Latin America	11,581	20,847	24,731	31,083	4,846	8,195	9,612
Asia Pacific	14,208	33,338	41,180	53,347	10,551	18,942	24,028
Total	69,309	123,741	161,837	201,767	41,893	77,158	97,688
* Of which Sweden	1,827	4,665	5,654	8,675	2,437	4,943	6,289
* Of which EU	25,289	40,610	50,814	57,057	8,877	21,316	25,160

Change	2002		
	0203	0206	0209
Europe, Middle East & Africa*	-48%	-37%	-42%
North America	13%	23%	17%
Latin America	-58%	-61%	-61%
Asia Pacific	-26%	-43%	-42%
Total	-40%	-38%	-40%
* Of which Sweden	33%	6%	11%
* Of which EU	-65%	-48%	-50%

Isolated quarters	2001 ¹⁾				2002		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Europe, Middle East & Africa*	37,329	21,754	22,013	11,606	19,493	17,691	9,554
North America	6,191	4,282	4,357	9,805	7,003	5,834	4,473
Latin America	11,581	9,266	3,884	6,352	4,846	3,349	1,417
Asia Pacific	14,208	19,130	7,842	12,167	10,551	8,391	5,086
Total	69,309	54,432	38,096	39,930	41,893	35,265	20,530
* Of which Sweden	1,827	2,838	989	3,021	2,437	2,506	1,346
* Of which EU	25,289	15,321	10,204	6,243	8,877	12,439	3,844

Change	2002		
	Q1	Q2	Q3
Europe, Middle East & Africa*	-48%	-19%	-57%
North America	13%	36%	3%
Latin America	-58%	-64%	-64%
Asia Pacific	-26%	-56%	-35%
Total	-40%	-35%	-46%
* Of which Sweden	33%	-12%	36%
* Of which EU	-65%	-19%	-62%

NET SALES BY MARKET AREA BY QUARTER - PRO FORMA

SEK million

Year to date	2001 ¹⁾				2002		
	0103	0106	0109	0112	0203	0206	0209
Europe, Middle East & Africa*	23,357	48,575	69,642	97,133	17,606	36,666	53,438
North America	5,528	11,077	16,984	25,190	4,072	10,135	16,516
Latin America	7,707	16,716	22,408	32,096	4,311	7,416	10,282
Asia Pacific	13,168	28,927	43,265	56,418	10,977	21,294	28,788
Total	49,760	105,295	152,299	210,837	36,966	75,511	109,024
* Of which Sweden	1,492	3,135	4,397	6,656	1,974	4,559	6,235
* Of which EU	14,901	30,568	43,626	59,206	10,867	21,935	31,128

Change	2002		
	0203	0206	0209
Europe, Middle East & Africa*	-25%	-25%	-23%
North America	-26%	-9%	-3%
Latin America	-44%	-56%	-54%
Asia Pacific	-17%	-26%	-33%
Total	-26%	-28%	-28%
* Of which Sweden	32%	45%	42%
* Of which EU	-27%	-28%	-29%

Isolated quarters	2001 ¹⁾				2002		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Europe, Middle East & Africa*	23,357	25,218	21,067	27,491	17,606	19,060	16,772
North America	5,528	5,549	5,907	8,206	4,072	6,063	6,381
Latin America	7,707	9,009	5,692	9,688	4,311	3,105	2,866
Asia Pacific	13,168	15,759	14,338	13,153	10,977	10,317	7,494
Total	49,760	55,535	47,004	58,538	36,966	38,545	33,513
* Of which Sweden	1,492	1,643	1,262	2,259	1,974	2,585	1,676
* Of which EU	14,901	15,667	13,058	15,580	10,867	11,068	9,193

Change	2002		
	Q1	Q2	Q3
Europe, Middle East & Africa*	-25%	-24%	-20%
North America	-26%	9%	8%
Latin America	-44%	-66%	-50%
Asia Pacific	-17%	-35%	-48%
Total	-26%	-31%	-29%
* Of which Sweden	32%	57%	33%
* Of which EU	-27%	-29%	-30%

¹⁾ Pro forma format reflects parts of Phones transferred to Sony Ericsson Mobile Communications.

NUMBER OF EMPLOYEES BY SEGMENT BY QUARTER - PRO FORMA

	2001 ¹⁾				2002		
	0103	0106	0109	0112	0203	0206	0209
Systems	75,897	77,448	72,111	68,525	66,301	61,392	57,808
Other operations	18,623	16,284	16,167	16,286	15,315	14,383	13,509
Unallocated	440	414	394	387	396	446	406
Total	94,960	94,146	88,672	85,198	82,012	76,221	71,723

	0203	0206	0209
Change			
Systems	-13%	-21%	-20%
Other operations	-18%	-12%	-16%
Unallocated	-10%	8%	3%
Total	-14%	-19%	-19%

1) Pro forma format reflects parts of Phones transferred to Sony Ericsson Mobile Communications.

EXTERNAL ORDERS BOOKED BY MARKET AREA AND SEGMENT
SEK million

Year to date 2002	Systems	Other	Total	Share of Total
Europe, Middle East & Africa	37,833	8,905	46,738	48%
North America	16,668	642	17,310	18%
Latin America	8,955	657	9,612	10%
Asia Pacific	22,460	1,568	24,028	24%
Total	85,916	11,772	97,688	100%
Share of Total	88%	12%	100%	

EXTERNAL NET SALES BY MARKET AREA AND SEGMENT
SEK million

Year to date 2002	Systems	Other	Total	Share of Total
Europe, Middle East & Africa	44,962	8,476	53,438	49%
North America	15,996	520	16,516	15%
Latin America	9,577	705	10,282	9%
Asia Pacific	27,304	1,484	28,788	27%
Total	97,839	11,185	109,024	100%
Share of Total	90%	10%	100%	

TOP 10 MARKETS IN ORDERS AND SALES
Year to date 2002

Orders	Share of total orders	Sales	Share of total sales
United States	17%	United States	14%
China	8%	China	10%
Sweden	6%	Italy	7%
Italy	6%	Sweden	6%
United Kingdom	5%	Japan	5%
Saudi Arabia	4%	Saudi Arabia	4%
Japan	4%	United Kingdom	4%
India	3%	Mexico	3%
Spain	3%	Spain	3%
Mexico	3%	India	3%

ERICSSON
CONSOLIDATED INCOME STATEMENT

SEK million	July-Sep			Jan-Sep		
	2002	2001 ¹⁾	Change	2002	2001 ¹⁾	Change
Net sales	33,513	54,589	-39%	109,024	173,301	-37%
Cost of sales	-22,572	-40,070	-44%	-73,856	-122,907	-40%
Gross margin	10,941	14,519	-25%	35,168	50,394	-30%
Gross margin as percentage of net sales	32.6%	26.6%		32.3%	29.1%	
Restructuring costs	-1,669	-		-2,107	-5,000	
Gross margin after restructuring costs	9,272	14,519		33,061	45,394	
Research and development and other technical expenses	-6,562	-10,555	-38%	-22,091	-33,564	-34%
Selling expenses	-4,944	-6,537	-24%	-15,569	-22,679	-31%
Administrative expenses	-2,145	-2,845	-25%	-7,302	-9,634	-24%
Capitalization of development expenses, net	641	-		2,556	-	
Operating expenses	-13,010	-19,937	-35%	-42,406	-65,877	-36%
Operating expenses as percentage of net sales	38.8%	36.5%		38.9%	38.0%	
Restructuring costs	-2,540	-		-3,814	-10,000	
Operating expenses including restructuring costs	-15,550	-19,937		-46,220	-75,877	
Capital gains/losses	-37	-95		-31	5,684	
Other operating revenues	267	446	-40%	1,069	1,545	-31%
Share in earnings of JV and assoc. companies	-629	-35		-1,209	-57	
Restructuring costs net, Phones	-	-		230	-	
Operating income ¹⁾	-6,677	-5,102		-13,100	-23,311	
Financial income	569	976	-42%	2,098	2,835	-26%
Financial expenses	-991	-1,199	-17%	-3,883	-4,098	-5%
Income after financial items	-7,099	-5,325	33%	-14,885	-24,574	-39%
Minority interest in income before taxes	-41	-332		-385	-804	
Income before taxes	-7,140	-5,657		-15,270	-25,378	
Taxes	2,143	1,698		4,586	7,614	
Net income	-4,997	-3,959		-10,684	-17,764	
Earnings per share, basic (SEK) ²⁾	-0.41	-0.37		-0.93	-1.63	
Earnings per share, diluted (SEK) ²⁾	-0.41	-0.37		-0.93	-1.63	
¹⁾ <u>Of which items affecting comparability</u>						
Non-operational capital gains/losses, net	118	165		217	168	
Capital gain, Juniper Networks	-	-		-	5,453	
Restructuring costs, net	-4,209	-		-5,691	-15,000	
Total	-4,091	165		-5,474	-9,379	
Adjusted operating income	-2,586	-5,267		-7,626	-13,932	
Adjusted operating margin (%)	-7.7%	-9.6%		-7.0%	-8.0%	
Adjusted income before taxes	-3,049	-5,822		-9,796	-15,999	

1) Restated for changed accounting principles in Sweden 2002 regarding consolidation of companies with a controlling interest.

Restated for reclassification of revenue between operating revenues and financial net (Q1 193, Q2 189, Q3 194, Q4 280 SEK million)

2) Adjusted for stock dividend element of stock issue 2002.

ERICSSON
CONSOLIDATED BALANCE SHEET

SEK million	Sep 30 2002	Dec 31 ¹⁾ 2001	Sep 30 ¹⁾ 2001
Fixed assets			
Intangible assets			
Capitalized development expenses	2,556	-	-
Other	10,150	13,066	13,203
Tangible assets	12,436	16,641	23,979
Financial assets			
Equity in JV and associated companies	1,978	3,135	1,159
Other investments	2,252	3,101	3,140
Long-term customer financing	11,194	7,933	11,915
Other long-term receivables	24,948	16,571	16,051
Total fixed assets	65,514	60,447	69,447
Current assets			
Inventories	20,595	24,910	28,248
Receivables			
Accounts receivable - trade	40,355	57,236	64,626
Short-term customer financing	1,516	6,833	6,506
Other receivables	34,821	39,171	44,608
Short-term cash investments, cash and bank	74,394	68,924	40,318
Total current assets	171,681	197,074	184,306
Total assets	237,195	257,521	253,753
Stockholders' equity	82,839	68,587	72,387
Minority interest in equity of consolidated subsidiaries	2,947	3,653	3,568
Provisions	32,237	32,935	33,760
Long-term liabilities	37,935	54,886	56,486
Current liabilities	81,237	97,460	87,552
Total stockholders' equity, provisions and liabilities	237,195	257,521	253,753
Of which interest-bearing provisions and liabilities	69,177	89,879	84,969
Net debt	-5,217	20,955	44,651
Assets pledged as collateral	3,499	10,857	10,183
Contingent liabilities	8,044	12,299	9,271

1) Restated for changed accounting principles in Sweden 2002 regarding consolidation of companies with a controlling interest.

ERICSSON
CHANGES IN STOCKHOLDERS' EQUITY

SEK million	Jan-Sep 2002	Jan-Dec 2001	Jan-Sep 2001
Opening balance	68,587	91,686	91,686
Stock issue, net	28,958	155	155
Conversion of debentures	-	11	10
Repurchase of own stock	-	-156	-156
Dividends paid	-	-3,954	-3,954
Changes in cumulative translation	-4,022	2,110	2,117
Net income	-10,684	-21,264	-17,764
Other changes	-	-1	293
Closing balance	82,839	68,587	72,387

ERICSSON
OTHER INFORMATION

SEK million	Jan-Sep 2002	Jan-Dec 2001	Jan-Sep 2001
<u>Number of shares and earnings per share</u>			
Number of shares outstanding, basic, end of period (million)	15,974	8,066	8,065
Number of shares outstanding, diluted, end of period (million)	16,082	8,147	8,149
Number of treasury shares , end of period (million)	157	157	157
Average number of shares, basic (million) ¹⁾	11,458	10,961	10,898
Average number of shares, diluted (million) ^{1,2)}	11,564	11,069	11,008
Earnings per share, basic (SEK) ¹⁾	-0.93	-1.94	-1.63
Earnings per share, diluted (SEK) ^{1,2)}	-0.93	-1.94	-1.63
<u>Ratios</u>			
Equity ratio, percent, primary	36.2	28.1	29.9
Equity ratio, percent, pro forma	38.3	30.9	33.0
Capital turnover (times)	0.9	1.5	1.5
Accounts receivable turnover (times)	3.0	3.4	3.3
Inventory turnover (times)	4.3	4.8	4.5
Return on equity, percent	-18.8	-26.5	-28.9
Return on capital employed, percent	-9.3	-14.3	-17.5
Days Sales Outstanding	103	88	102
<u>Other</u>			
Additions to tangible fixed assets	2,018	8,726	7,699
- Of which in Sweden	762	3,794	2,702
Total depreciation on tangible and intangible assets	4,477	7,860	5,771
- Of which goodwill	713	1,123	741
- Of which capitalized development expenses	103	-	-
Orders booked	97,688	221,477	181,547
Export from Sweden	65,151	121,277	90,250
<u>Exchange rates used in the consolidation</u>			
Euro - average rate	9.14	9.26	9.18
- closing rate	9.17	9.37	9.74
USD - average rate	9.93	10.36	10.28
- closing rate	9.28	10.63	10.67

1) Adjusted for stock dividend element of stock issue in 2002.

2) Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.