

# **T** hird **Q** uarter **R** eport

# 2004



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# Safe Harbor Statement

This presentation contains forward looking statements. Such statements are based on our current expectations and are subject to certain risks and uncertainties that could negatively affect our business.

Please read our earnings reports and our most recent annual report for a better understanding of these risks and uncertainties.

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# Financial summary

(SEK b.)

	Q303	Q204	<b>Q304</b>	YoY % change
Orders, net	28.1	33.1	<b>29.0</b>	<b>3%</b>
Sales	28.0	32.6	<b>31.8</b>	<b>14%</b>
Gross margin (%)	35.9	47.8	<b>47.1</b>	
Operating margin (%)	5.2	22.8*	<b>22.7</b>	
Income after financial items	1.1	7.5*	<b>7.0</b>	
EBITDA (%)	9.6	26.4*	<b>26.8</b>	

\*Adjusted to exclude a one-time positive effect of SEK 0.3 b.  
2003 periods adjusted for restructuring costs

**Continued solid performance**

# Book-to-bill Q3 2004

(SEK b.)

Region	Orders	Sales	YoY % change	% of sales	Book-to-bill
Western Europe	8.1	10.0	26%	31%	0.81
CEMA	7.7	8.2	33%	26%	0.94
North America	2.5	3.3	-22%	10%	0.74
Latin America	4.5	3.7	38%	12%	1.22
Asia Pacific	6.2	6.6	-5%	21%	0.94
<b>Total</b>	<b>29.0</b>	<b>31.8</b>	<b>14%</b>	<b>100%</b>	<b>0.91</b>

**YTD book-to-bill > 1**

# Systems (SEK b.)

	Q303	Q204	Q304	YoY % change
Orders	26.5	31.2	<b>27.4</b>	<b>3%</b>
Sales	25.9	30.4	<b>29.6</b>	<b>14%</b>
Operating income	1.4	6.3	<b>6.5</b>	
Operating margin(%)	5.3	20.8	<b>21.9</b>	

**Systems operating margin exceeds historical high**

# Other operations (SEK b.)

	Q303	Q204	Q304	YoY % change
Orders	2.0	2.7	2.5	25%
Sales	2.5	2.8	2.8	13%
Operating income	0.1	0.6	0.3	
Operating margin (%)	5.4	20.0	9.3	

**Operating margin decline mainly due to redundancy costs**

# Strong financial performance

(SEK b.)

	Q303	Q204	Q304
Net income	-3.9	5.3	4.8
Adj. income to cash	0.5	1.7	2.6
Income to cash	-3.5	7.0	7.4
Working capital	13.4	-0.5	-0.9
<b>Cash flow from operating activities</b>	9.9	6.5	6.5
Investing activities	-0.8	-2.2	-1.3
<b>Cash flow before financing activities</b>	9.1	4.3*	5.2
<b>Net cash</b>	20.5	31.7	36.8
<b>Equity ratio (%)</b>	34.5	37.5	40.9

\* Adj. cash flow before financing of SEK 7.1 b. (excl. SEK 2.8 b. in non-recurring items)

**Debt reduced by > SEK 10 b.**



# Operating efficiency trends

	Q303	Q204	Q304
Accounts receivable (SEK b.)	29.0	31.8	<b>31.0</b>
DSO	93	88	<b>88</b>
Inventories* (SEK b.)	11.4	14.8	<b>16.5</b>
Inventory turnover	5.7	5.1	<b>4.8</b>
Accounts payable (SEK b.)	8.6	9.7	<b>9.9</b>
Payable days	43	52	<b>53</b>

\* Including work in progress

**Work in progress reflect increased level of business activity**

# Sony Ericsson

	Q303	Q204	Q304
Number of units shipped (million)	7.1	10.4	<b>10.7</b>
Sales (EUR m.)	1,305	1,504	<b>1,678</b>
IBT	39	113	<b>136</b>
Net income	62	89	<b>91</b>
Ericsson share in earnings (SEK b.)	0.2*	0.5	<b>0.6</b>

\*Including restructuring cost of SEK -0.3 b.



**Innovative products drive growth**

# Market outlook 2004/2005

- **2004 global mobile systems market\***
  - Catch up effect has started to abate
- **2005 global mobile systems market\***
  - Slight market growth, 2004 catch up effect included
  - Moderate underlying market growth
- **Good growth in professional services market\***

\*All estimates are measured in USD and refer to market growth compared to previous year  
This slide contains forward looking statements

**Well positioned to capture market opportunities**



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