

# THIRD QUARTER REPORT

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# 2007

**ERICSSON**   
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**CFO**

# Financial summary

(SEK b.)

|                             | Q306                | Q207  | Q307  | YoY % | Seq % |
|-----------------------------|---------------------|-------|-------|-------|-------|
| Sales                       | 41.3                | 47.6  | 43.5  | 6%    | -9%   |
| Gross margin                | 42.3% <sup>1)</sup> | 43.0% | 35.6% |       |       |
| Operating margin            | 21.2%               | 19.4% | 12.9% |       |       |
| EBITDA                      | 25.4%               | 23.9% | 17.4% |       |       |
| Operating margin excl. SEMC | 16.5%               | 16.4% | 9.0%  |       |       |
| EBITDA excl. SEMC           | 20.7%               | 20.9% | 13.4% |       |       |

<sup>1)</sup> Adjusted for Marconi and career change program restructuring costs of SEK 1.7 b. related to gross margin.

# Financial summary

(SEK b.)

|                              | Q306  | Q207  | Q307  | YoY % | Seq % |
|------------------------------|-------|-------|-------|-------|-------|
| Income after financial items | 8.9   | 9.3   | 5.6   | -37%  | -40%  |
| Tax rate                     | 29%   | 30%   | 29%   |       |       |
| Earnings per share – diluted | 0.39  | 0.40  | 0.25  | -36%  | -38%  |
| Equity ratio (%)             | 54.1% | 54.4% | 56.4% |       |       |

# Operating cash flow analysis

(SEK b.)

|  | Q306       | Q107        | Q207        | Q307        | SEMC<br>balance |
|--|------------|-------------|-------------|-------------|-----------------|
| Net income                                 | 6.3        | 5.8         | 6.5         | 4.0         |                 |
| Adj. income to cash                        | -1.9       | 0.0         | 3.0         | 0.7         |                 |
| SEMC dividend/Cap redemption               | 0.0        | 0.0         | 2.5         | 1.4         |                 |
| <b>Income to cash</b>                      | <b>4.4</b> | <b>5.8</b>  | <b>12.0</b> | <b>6.1</b>  |                 |
| Inventories incl WIP                       | -2.6       | -1.8        | -0.5        | -1.6        |                 |
| Customer financing                         | -0.3       | -0.1        | 0.1         | -0.1        |                 |
| Receivables                                | -2.0       | 0.2         | -2.3        | -2.4        |                 |
| Payables, prov. & oth work cap             | 5.3        | -3.0        | -3.7        | -2.4        |                 |
| <b>Change in working capital</b>           | <b>0.4</b> | <b>-4.7</b> | <b>-6.4</b> | <b>-6.5</b> |                 |
| Prepayment from SEMC                       | 0.0        | 3.5         | -1.4        | -1.2        | 0.9             |
| <b>Cash flow from operating activities</b> | <b>4.8</b> | <b>4.6</b>  | <b>4.2</b>  | <b>-1.6</b> |                 |
| <i>SEMC net impact per quarter</i>         | <i>0.0</i> | <i>3.5</i>  | <i>1.1</i>  | <i>0.2</i>  |                 |

# Cash conversion analysis

(SEK b.)

|  | 2005 <sup>2)</sup> | 2006        | 1H'07      | 2007 YtD   |
|--|--------------------|-------------|------------|------------|
| Income reconciled to cash                              | 35.1               | 32.5        | 17.8       | 23.9       |
| Change in working capital                              | -10.0              | -14.0       | -9.0       | -16.7      |
| <b>Cash flow from operating activities</b>             | <b>25.1</b>        | <b>18.5</b> | <b>8.8</b> | <b>7.2</b> |
| Cash conversion first half/second half % <sup>1)</sup> | 65/76              | 16/97       |            |            |
| <b>Cash conversion rate<sup>1)</sup></b>               | <b>72%</b>         | <b>57%</b>  | <b>49%</b> | <b>30%</b> |

Continued strong focus

<sup>1)</sup> Cash flow from operating activities / income reconciled to cash

<sup>2)</sup> Excluding pension trust fund

# Operating efficiency trends

|                                  | Q306 | Q207 | Q307 | Targets |
|----------------------------------|------|------|------|---------|
| Accounts receivable (SEK b.)     | 48.3 | 55.3 | 56.8 |         |
| DSO                              | 104  | 106  | 115  | <90     |
| Inventories, incl. CWIP (SEK b.) | 25.0 | 24.6 | 25.6 |         |
| Inventory turnover - YtD         | 4.4  | 4.4  | 4.5  | >5.5    |
| - Iso Q                          | 4.2  | 4.5  | 4.5  |         |
| Accounts payable (SEK b.)        | 17.8 | 17.7 | 16.1 |         |
| Payable days - YtD               | 57   | 64   | 59   | >60     |
| - Iso Q                          | 60   | 59   | 54   |         |

Operational excellence remains in focus

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