

ERICSSON'S MISSION is to understand its customers' opportunities and needs, and to provide communication solutions better than any competitor.

IN DOING SO, Ericsson shall generate a competitive economic return for its shareholders.



R380, dual-band telephone with built-in PDA, based on EPOC. Communication tool, calendar, built-in modem.

THIRD-GENERATION MOBILE SYSTEMS: In November, ITU established WCDMA as the standard for 3G mobile systems under the name IMT2000 Direct Spread. The decision was welcomed by Ericsson, which can now offer its operator customers all three major versions of this standard.

QUALCOMM: In terms of number of employees, the takeover of Qualcomm's infrastructure division was Ericsson's largest acquisition during 1999, providing Ericsson with a complete product portfolio of second- and third-generation mobile systems. It also accelerated the pace of work in the standardization area, which was appreciated by the industry as a whole, particularly by the operators.

DATACOM ACQUISITION: Ericsson acquired the American companies Torrent and TouchWave and the Danish company Telebit A/S to further strengthen its position in the market for IP and datacom solutions.

MICROSOFT: In December, Ericsson and Microsoft announced that they would cooperate in the development and marketing of total solutions for wireless Internet access. The parties will establish a jointly owned company to market and supply mobile e-mail solutions. Ericsson will be the majority owner in the new company.

ENGINE: During 1999, Ericsson achieved major successes with ENGINE, a solution for migrating circuit-switched fixed telecommunications networks to a next-generation network that can handle circuit-switched and IP-based, packet-linked traffic. BT in the U.K., KPN in the Netherlands, Telia in Denmark and Telefónica in Spain chose ENGINE during the year.

NEW MANAGEMENT: At the beginning of July, Kurt Hellström was appointed president of Ericsson, succeeding Sven-Christer Nilsson, who left the Company. Group Chairman Lars Ramqvist was appointed Chief Executive Officer.

UNCERTAIN FACTORS IN THE FUTURE

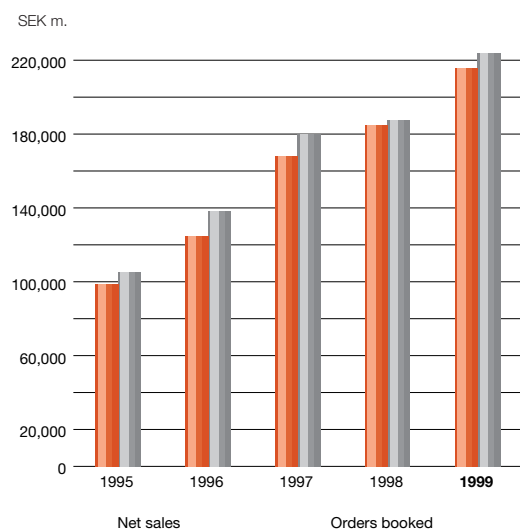
"Safe Harbor" Statement under the U.S. Private Securities Litigation Reform Act of 1995:

Some statements in this Annual Report are forward looking and actual results may differ materially from those stated. In addition to the factors discussed, among other factors that may affect results are product demand, the effect of economic conditions, exchange-rate and interest-rate movements, the impact of competing products and their pricing, product development, commercialization and technological difficulties, political risks in the countries in which the Company has operations or sales, supply constraints, and the results of customer financing efforts.

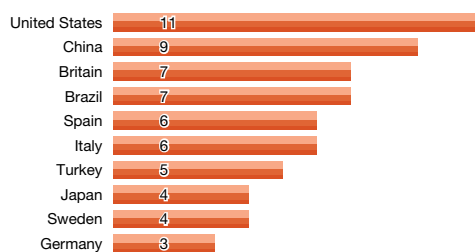
	1999 SEK m.	1998 SEK m.	Percent change
Orders booked	223,828	187,415	19
Net sales	215,403	184,438	17
Income before taxes	16,386	18,210	-10
Earnings per share, SEK	6.17	6.66	-7
Earnings per share according to U.S. GAAP, SEK	7.68	7.87	-2
Dividend per share, SEK	2.00*	2.00	-
Number of employees, December 31	103,290	103,667	-

* For 1999, proposed by the Board of Directors

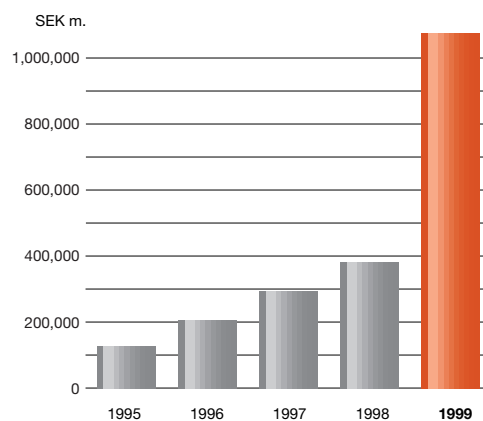
NET SALES AND ORDERS BOOKED (SEK m.)



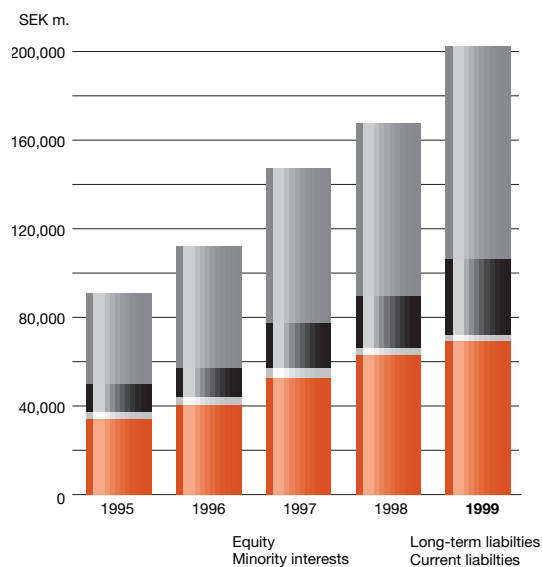
ERICSSON'S 10 LARGEST MARKETS, (PERCENT OF TOTAL SALES)



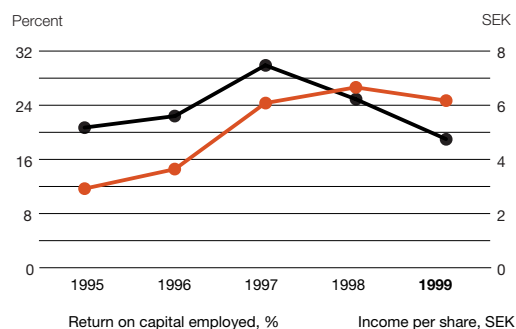
MARKET CAPITALIZATION YEAR-END 1995-1999 (SEK m.)



LIABILITIES AND EQUITY (SEK m.)



INCOME PER SHARE (SEK), AND RETURN ON CAPITAL EMPLOYED (PERCENT)



SHARE CAPITAL

As of December 31, 1999, Ericsson's share capital consisted of SEK 4,892,846,303 (4,878,380,975), represented by 1,957,138,521 shares. The par value of each share is SEK 2.50. As of December 31, 1999, the shares were divided into 164,054,660 Series A shares, each carrying one vote, and 1,793,083,861 Series B shares, each carrying one-thousandth of a vote.

During 1999 the number of shares was increased by 5,786,131 through conversions of convertible debentures. During the period January 1 to January 21, 2000, convertible debentures related to convertible liabilities for 1997 were converted to 228,975 B shares. Between January 1 and February 5, 2000, additional debentures related to convertible liabilities for 1993 were convertible to shares, with rights to dividend for 1999.

STOCK EXCHANGE TRADING

Ericsson's Series A and Series B shares are traded on the OM Stockholm Stock Exchange, and the Series B shares are also traded on the exchanges in Düsseldorf, Frankfurt, Hamburg, London and Paris, and on the "Swiss Exchange" in Switzerland. Ericsson shares are also traded in the United States in the form of American Depositary Receipts (ADRs) through the NASDAQ system, under the symbol ERICY. Each ADR represents one Series B share.

American Depositary Debentures (ADDs) are also traded on the NASDAQ system under the symbol ERICZ. Each ADD represents one convertible debenture related to the 1993/2000 convertible debenture loan. Ericsson shares have been traded in Euros in Frankfurt and Paris since January 1, 1999.

Nearly five billion shares were traded in 1999. Of this number, about 48 (39) percent were traded on the OM Stockholm Stock Exchange, 22 (30) percent via the NASDAQ exchange and 29 (30) percent on the London Stock Exchange. Trading on other exchanges amounted to about 1 percent of the total, unchanged from the previous year.

SHARE PRICE TREND

The total market value of the Ericsson share rose

183 percent in 1999 to SEK 1,073 b. The index for the OM Stockholm Stock Exchange rose 65.9 percent during the year.

SHAREHOLDERS

In all, about 90 percent of Ericsson's shares are owned by Swedish and international institutions. At the end of 1999, about 55 (50) percent of the shareholders were outside Sweden, with 33 (30) percent in the U.S., 6 (6) percent in Britain, 4 (4) percent in Germany, and 12 (10) percent in other countries.

EMPLOYEE OWNERSHIP

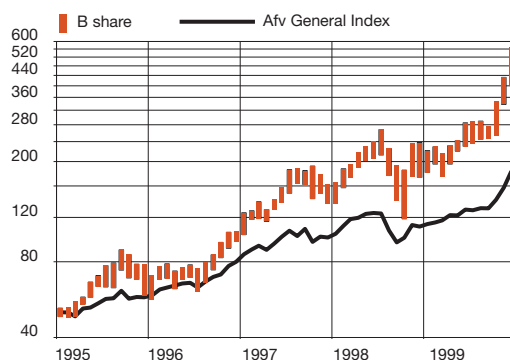
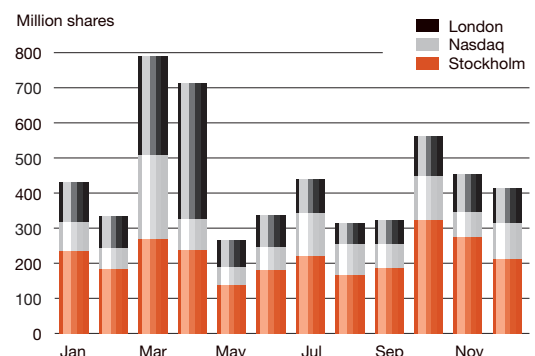
The Ericsson Savings Fund (Ericssons Allemansfond) was started in 1984. The Fund, which has 1,254 participants, invests in Ericsson's shares. At the end of 1999 the Fund held 962,000 shares. The price per unit at year-end was SEK 7,568 (SEK 2,654).

A convertible debenture loan amounting to SEK 6,000 m. was issued in 1997 with preferential rights to Ericsson's employees. Employees who joined Ericsson after October 10, 1997, were given an opportunity to purchase convertible debentures issued by AB Aulis, an Ericsson company.

In 1998, an option plan was implemented for 500 key personnel, who were allotted seven-year call options in Ericsson. The size of the allotment was decided by earnings per share for 1998, and the employee salary and bonus category. Based on the same principles, some 2,000 key employees and senior executives will receive seven-year call options based on earnings in 1999. At an Extraordinary General Meeting in November, 1999, it was decided to implement a stock option plan also for fiscal year 2000. In accordance with this resolution, 12.6 million options will be issued to approximately 8,000 employees.

BONUS ISSUE AND SPLIT

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

SHARE TREND 1995-1999**SHARE TURNOVER 1999**

ERICSSON SHARE DATA 1999

SHARE DATA

	1999	1998 ⁴⁾	1997 ⁴⁾	1996 ⁴⁾	1995 ^{1) 4)}
Earnings per share	6.17	6.66	6.08	3.64	2.92
P/E ratio, "B" shares ²⁾	89	29	25	29	22
Dividend	2.0 ³⁾	2.00	1.75	1.25	0.88
Direct return %	0.4	1.0	1.2	1.2	1.3
OM Stockholm Stock Exchange share prices (SEK)					
A at December 30	575.0	209.5	157	109	69
B at December 30	548.0	193	149	106	65
B high for year	571.0	268	192	106	89
B low for year	175.0	118.5	102.5	56.5	48

1) After 4:1 split.

2) P/E ratio = Price per share at December 31, divided by earnings per share after full conversion.

3) For 1999, proposed by the board of directors.

4) After 1:1 bonus issue.

CHANGES IN CAPITAL STOCK 1995-1999

		Number of shares	Capital stock
1995	January 1	217,229,118	2,172,291,180
1995	Split 4:1	651,687,354	-
1995	New issue	87,009,390	217,523,475
1995	Conversions	1,689,035	4,222,588
1996	Conversions	3,547,308	8,868,270
1997	Conversions	13,333,854	33,334,635
1998	Bonus issue 1:1	975,097,150	2,437,742,875
1998	Conversions	1,759,181	4,397,952
1999	Conversions	5,786,131	14,465,328
1999	December 31	1,957,138,521	4,892,846,303

LARGEST SHAREHOLDERS, BY VOTING RIGHTS, DECEMBER 31, 1999

	Number of shares	Voting rights percent
AB Industrivärden	46,520,000	28.0
Investor AB	68,376,700	22.3
Wallenberg-stiftelser	27,293,024	16.5
Svenska Handelsbankens Pensionsstiftelse	10,640,000	5.6
Livförsäkrings AB Skandia	21,855,843	5.0
Pensionskassan SHB Försäkringsförening	7,920,000	4.8
Oktogonen, Stiftelsen	4,020,000	1.9
SEB-stiftelsen	3,140,000	1.5
Svenska Handelsbankens personalstiftelse	2,460,000	1.5
Fjärde AP-Fonden	75,998,018	1.4
SEB-Trygg Försäkring	19,893,560	1.3
Svenska Handelsbankens aktiefonder	10,782,600	0.8
Wallanders och Hedelius' stiftelse	800,000	0.5
Foreign ownership	897,506,209	2

Ericsson well prepared for the new millennium

THE PAST YEAR WAS exciting and eventful for Ericsson. It began slowly but finished in high gear. Income before tax for the fourth quarter reached a record level – SEK 8.5 billion. The performance of the Ericsson share was highly favorable during the year, increasing 183 percent in value. This meant that the value of shareholders' investments in the company rose by SEK 694 billion in 1999.

Ericsson is the global leader in mobile communications. More than 70 percent of our sales are generated from mobile systems and terminals. It is significant that this is where Ericsson's real strength lies, because mobile communications is now the largest and fastest-growing area in our industry – an industry that in the past few years has undergone more rapid and extensive transformation than any other.

The mobile Internet and mobile datacom are becoming a reality. This development is increasingly apparent in trend-setting countries such as Japan and the U.S. In Japan, the star player in 1999 was i-Mode, a solution for direct connection to the Internet via mobile terminals; in the U.S., the development shows in the fact that operators of Mobitex networks from Ericsson experienced substantial growth in the number of subscribers in 1999.

This development has not come as a surprise to Ericsson. On the contrary, we have been preparing for it for a long time. We have been working on developing the third generation of mobile systems for more than a decade. We are currently the only supplier offering a large number of test systems to customers worldwide – 17 systems to be exact. In 1999 we received several commercial orders for such systems – for example, from NTT DoCoMo in Japan.

SIGNIFICANT BUSINESS OPPORTUNITIES

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

The mobile Internet brings significant business opportunities to Ericsson, not only because the mobile networks must be upgraded and adapted with equipment for the new generation of systems. The demand for various types of mobile data services also brings a strongly increased need for capacity in the mobile networks, resulting in demand

for new infrastructure investments by operators. To take full advantage of the new technology, subscribers will require new and advanced mobile terminals – terminals that are currently being developed by Ericsson.

FOCUS ON THE MOBILE INTERNET

The first major step toward the mobile Internet is now being taken with the help of WAP technology. Its current position as the focus of market interest clearly demonstrates the growing importance of the mobile Internet, even now before the higher transmission speeds of third-generation systems can be achieved.

As one of the initiators of the WAP standard, Ericsson is well prepared. We currently have the market's broadest range of WAP knowledge, including hardware, applications development, consultants and terminals. In a campaign during late autumn, we offered the services of 400 highly qualified consultants to companies interested in developing WAP services.

The next step toward third-generation systems is GPRS. This is a packet-switched technology that considerably increases the capacity of the mobile networks, which also makes it possible to introduce new services and provide better service to the subscriber. In 1999, Ericsson won well over 50 percent of the world's GPRS orders.

We are also leading in EDGE, a third-generation technology for existing frequency bands. With the U.S. launch scheduled for the beginning of 2001, EDGE will be the first third-generation mobile system to be placed in commercial operation. During the year Ericsson installed test systems for EDGE and signed the first major contracts. This is further confirmation that we are leading the way to the next generation of systems.

UNIQUE KNOWLEDGE FOR SALE

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

In 1999, Ericsson brought together its resources in service offerings and business consulting. Ericsson Services offers operators a powerful portfolio of



Lars Ramqvist,
Chairman of the Board and Chief Executive Officer

Kurt Hellström,
President

services, thus strengthening Ericsson's position as complete supplier, system integrator and partner. Ericsson Business Consulting, which targets the enterprise sector, had 2,700 highly qualified employees in 36 countries at year-end, making Ericsson the leading supplier of Internet-based business solutions. Customers during the year included Reuters, the Dutch daily newspaper, *de telegraaf*, Scania, LYCOS and SAS.

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

STRENGTHENED POSITION IN IP AND DATA COMMUNICATIONS

During the year Ericsson gradually strengthened its position in next-generation IP-based core networks. Ericsson's solution for the successive migration of existing circuit-switched networks, to enable them to support IP and ATM-based services, has also been highly successful. The year began with a breakthrough order from BT, which was followed by orders from Diginet in Latin America, Telia in Denmark, Dutch KPN and Spanish Telefónica. During the autumn, Ericsson's offering was presented under the ENGINE concept.

For third-generation mobile systems, Ericsson has developed a new platform that handles ATM and IP traffic. As a real-time router it is called the RX1 820.

A number of important strategic acquisitions were carried out during the year to further streng-

then Ericsson's position in the market for IP and data-communications solutions. The American companies Torrent and TouchWave contribute broad expertise and a complementary product portfolio in data communications.

Ericsson's incorporation of the Danish company, Telebit A/s, which is world-leading in the next generation of the Internet protocol, IP version 6, has given Ericsson access to leading-edge expertise in a strategically key area.

A WELCOME ACQUISITION

The largest single acquisition, by number of employees, was the infrastructure division of Qualcomm. This enabled Ericsson to offer a complete product portfolio in both second and third-generation mobile systems. In addition, the acquisition had a favorable effect on standardization, which stimulated the entire industry.

Other examples of strategic partnerships that were deepened or commenced during the year include the partnership with Juniper and Ericsson's cooperation with Microsoft. Together with Microsoft we have established a company that will develop mobile Internet applications, such as wireless e-mail.

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

A YEAR OF INNOVATIONS

The business segment Consumer Products showed unsatisfactory results during most of the year. This trend, however, was broken during the fourth quar-

ter. Targeted production speed was achieved at the end of the year. During the year, a number of new phones were presented, together with a range of new accessories, several of which were strikingly innovative and attracted much attention in the market, especially among younger consumers. Ericsson's Chatboard, FM-radio attachment and MP3 player are proof that innovations are now receiving great attention within the company.

Ericsson now has a very competitive product portfolio, which will be expanded in 2000 with more products based on the entirely new technical platform developed in 1999. Measures have been taken with the objective of gaining market share and regaining the position as number two in the world.

TURNAROUND IN THE SECOND HALF

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

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

FINANCIAL TARGETS UNCHANGED

For the full year 2000, we believe in continued strong market growth, where Ericsson gains bene-

fits from its leading position in mobile telephony and its unique ability to offer customers comprehensive solutions. Our long-term financial targets remain unchanged. We intend to grow faster than the market, which means growing by at least 20 percent, with a return on capital employed of 20–25 percent, positive cash flow before strategic acquisitions and operating margin of at least 10 percent.

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

We are convinced that Ericsson will reach its objective of being the leading company in tomorrow's integrated data and telecommunications market. The combination of our expertise in systems, applications and in mobile terminals is a strong indication that in the future Ericsson will continue to provide its owners a favorable return on their investment in the company.

It is pleasing to note that an increasingly larger number of Ericsson employees can now also benefit from the favorable trend of the Ericsson share through participation in the personnel convertibles and options programs. It is in fact their skills and professional efforts that have paved the way to Ericsson's successes.



LARS RAMQVIST
Chairman and CEO



KURT HELLSTRÖM
President

Ericsson to grow faster than the market

ONE OF ERICSSON'S most important overall objectives is to create strong, competitive, value growth for its shareholders.

GROWTH OBJECTIVE

Ericsson's long-term objective remains unchanged. The objective is that the company will grow faster than the market, which involves long-term growth of at least 20 percent annually. This growth objective should be viewed over a five-year period, since the Company does not expect certain growth markets, particularly mobile data communications, to accelerate until we are a few years into the 21st century.

The growth objective is to be reached by maintaining or improving positions within all three of Ericsson's business segments: Network Operators and Services Providers, Consumer Products and Enterprise Solutions.

CASH FLOW AND CAPITAL TURNOVER

Ericsson strives to have a positive cash flow before strategic acquisitions. Growth of at least 20 percent with a positive cash flow requires a return on capital employed of between 20 and 25 percent for Ericsson as a whole. To reach this objective Ericsson must maintain an average operating margin of at least 10 percent and a capital turnover rate of two or better.

However, return requirements may vary for different segments. A lower operating margin can also be offset by a higher rate of capital turnover.

In the Ericsson organization, all the different

units – business units, product units, and market units – have a distinct profitability responsibility. This means that each unit, in addition to being responsible for profit, is also responsible for its share of capital employed.

FINANCIAL RESULTS

A very strong fourth quarter with record levels of orders, sales, income and cash flow made the year's results better than expected.

We did not successfully fulfill all our long-term objectives in 1999, mainly due to the weak performance during the first half of the year.

- The sales growth was 18 percent for comparable units vs. target +20 percent.
- We reached a positive cash flow before acquisitions, SEK +2.9 b.
- We reached a capital turnover of 2.1 turns vs. target 2.0.
- ROCE at 19 percent was slightly below the targeted 20–25 percent.
- Operating margin at 8.2 percent of sales is below the target of at least 10 percent.

OUTLOOK FOR 2000

Continued market growth is expected throughout 2000, where Ericsson will gain benefits from its leading position in mobile telephony and the growth in mobile Internet.

Sales is expected to increase by more than 20 percent, and earnings to show a substantial growth. These objectives are intended to be achieved with a positive cash flow.



OUR LONG-TERM

financial goals are retained. We shall grow by at least 20 percent per year, which is faster than the market. Return on capital employed will be 20 to 25 percent, and cash flow will be positive before strategic acquisitions. The operating margin will be at least 10 percent.

STEN FORNELL,
EXECUTIVE VICE PRESIDENT
CHIEF FINANCIAL OFFICER

Internet and mobile communications to explode

DEVELOPMENT OF the increasingly converging data and telecommunications markets is now proceeding extremely rapidly. During 1999, two factors were more evident than any others in driving this trend: continued and sharply accelerating growth of mobile telephony and an equally rapid expansion in Internet use. Both development trends are fueling a sharp increase in demand for telecommunications – to the benefit of Ericsson and other suppliers of the world's telecom operators.

The closing year of the 1990s was the high point – thus far, at least – of the momentous changes that are transforming the global telecom industry. Over the past decades, a wave of privatization and deregulation has swept the world and triggered a globalization of the major telecom operators. Globalization, in turn, has prompted many mergers, acquisitions, partnerships and strategic alliances among operators. At the same time, fantastic opportunities are being created for new operators to establish themselves in the market, often as niche operators in one of the many data and telecom market segments or as operators in a limited geographical region.

The global alliances, which to an increasing degree are shaping the market, also include companies that are not traditional telecom companies. Internet companies, entertainment companies and companies with a clear datacom focus are more and more frequently included in the new alliances. The boundaries between data and telecom and the media industry are becoming increasingly blurred.

MEGA-OPERATORS

AT&T is one of the very large operators that has been extremely active during 1999 in building new alliances. Together with BT, the company started the joint venture Concert for the two operators' international operations. Through acquisitions of, or partnerships with, several cable TV companies, AT&T has gained direct access in its home market to millions of U.S. homes.

The mobile operators Vodafone and Airtouch merged during the year. At the end of 1999, Vodafone began an attempt to take over Mannesmann in what could become the largest deal to date between two telecom operators. The largest merger in the history of telecommunications thus far took place in October, when MCI Worldcom acquired the American operator Sprint for USD 129 billion. This was one of several examples of how fixed network operators are trying to enter the lucrative wireless industry.

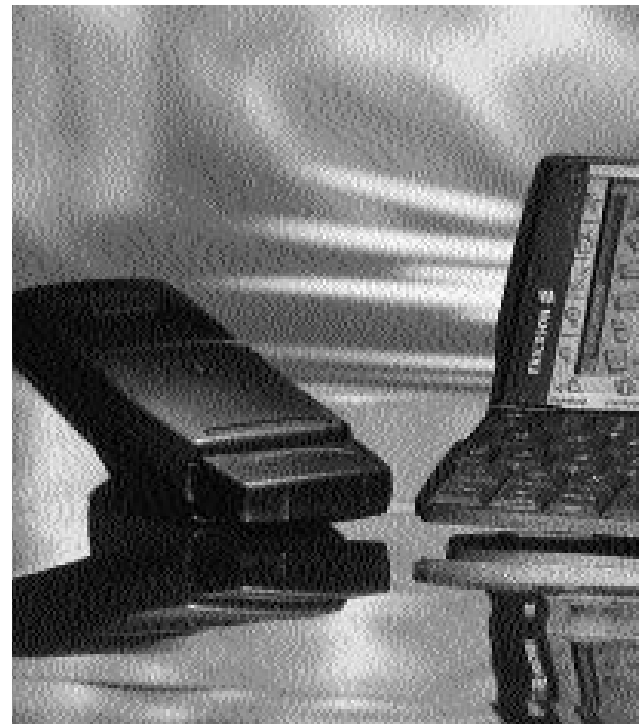
As restructuring and consolidation now begin to transform the Internet access market also, the major traditional operators are active in acquiring newly started, successful ISPs (Internet Service Providers).

OUTSOURCING

Some major operators are beginning to outsource portions of their operations to their suppliers. This trend applies to established and new operators. Cable & Wireless and Global Crossing are examples of operators that in this manner increasingly focus on their own core operations. Another clear trend, on the other hand, is the growing business among operators who take over telecom operations from major corporate customers – in response to customers outsourcing data and telecommunications in order to focus on their core operations.

MOBILE EXPLOSION

Several factors indicate that traffic growth in mobile telephone networks is about to explode. Prepaid calls, reduced charges for normal mobile calls and a sharp increase in wireless data communications are important factors driving growth. In some countries, prepaid service now accounts for more than 40 percent of all traffic.



The very strong growth in sales of Ericsson's mobile systems in North America during 1999 is an excellent example of how rapidly traffic can grow when these trends take effect. The introduction of GPRS – which is a step toward next-generation mobile telephony – and WAP services are other factors that will contribute strongly to traffic growth in mobile networks over the coming years.

At year-end 1999, there were nearly 475 million mobile phone subscribers around the world, of whom half use GSM systems. In early 2003, the number of mobile subscribers is expected to exceed one billion. This massive increase, however, will be dwarfed by the growth in traffic, which is expected to increase by more than fivefold over the coming five years.

INCREASED NEED FOR FIXED NETWORKS

In the fixed networks, the growth curve for traditional voice telephony is now starting to level off. Instead, the already strong growth of data traffic in these networks is accelerating, particularly in what are called packet-switched networks, which today are increasingly based on IP (Internet Protocol). Traditional voice traffic continues to generate the major share of operator revenues, but a rapid shift toward lower call charges has begun.

Internet traffic plays an important role in traffic growth in the fixed networks. During 1999, the number of Internet users in the world increased from 118 to 180 million. By 2002, nearly 300 million users are expected to be connected to the Internet. At the same time, the average time that Internet users are connected is increasing by 20 percent annually.

During 1999, this resulted in a sharp increase in

the demand for established solutions for increasing bandwidth, such as ISDN and ADSL. Similarly, investments in next-generation ATM- and IP-based networks began to gain momentum.

BRAND INCREASINGLY IMPORTANT

Less and less of the value of a mobile phone lies in the unit itself. As with personal computers, applications and software now account for an ever-greater proportion of the value of the product. Manufacturers are already developing increasingly sophisticated products and are increasing the number of functions in phones.

The assortment of mobile phones – or more accurately, mobile terminals – is increasing dramatically, and this trend will continue. Tomorrow's mobile phones may be built into portable CD players, watches, cameras, pocket computers and similar devices. This also means that the major manufacturers of such products will become competitors to companies like Ericsson, Nokia and Motorola but also that these companies' demands for Ericsson's products for wireless communication will increase.

In such a situation, the brand is increasingly important. This is why Ericsson over the past few years has been investing so heavily in strengthening its brand. These investments are only beginning, but they have already produced tangible and positive results.

ENVIRONMENTAL ISSUES MORE IMPORTANT

More and more of Ericsson's customers are expressing interest in how their suppliers manage environmental issues. These issues influence customers' purchasing decisions to an increasing extent. This is a positive trend for Ericsson, which is well positioned to take advantage of interest for the environment both in its branding and with respect to strengthening the Company's image in general. Ericsson has long given environmental concerns high priority and can point to major achievement in this area.

Efforts to reduce the environmental impact of production and of finished products is good business. Ericsson has found many clear correlations between the efficient use of resources and cost-effectiveness.

HEALTH AND SAFETY

Extensive press coverage has actively contributed to that individual consumers now and then express concern for their health and safety when using mobile phones and installing radio base stations.

Ericsson supports research in the field, through, among others, the World Health Organization (WHO).



MC218, separate WAP-based PDA (personal digital assistant), based on Psion 5.

Moving toward a mobile future

DURING THE AUTUMN of 1999, Ericsson launched the "Power of Mobility" concept as the theme for its marketing to network operators and enterprises.

The choice of this theme was dictated by the Company's view of how the converging media, data and telecom markets will develop over the coming years. It also reflects the assessment of tomorrow's market on which Ericsson is basing its new business strategy.

Over the coming years, global network operators will continue to group themselves. They will require new strategies to protect revenue streams from fixed and wireless networks. In tomorrow's competition, there is every indication that operators who focus on volume and/or specialization will be the winners. Aggressive marketing, innovative new services and packaged solutions in which even content – for instance in the form of entertainment or information – is included in the offer are some of the methods that will be used in the battle to win customers. The leading companies will be recognized for their ability to offer personalized services in which mobility will be one of the greatest benefits offered to customers.

PARADIGM SHIFT

Ericsson believes that the market is facing a paradigm shift in which mobility and content will be the key concepts. Users will rank different suppliers on the basis of their ability to provide both fixed and wireless access to the network. They will

demand simple solutions that allow them to be connected to the network at all times (while paying only for the actual time they use it), to have a single telephone number and a single e-mail address, to receive a single invoice for all services used, and so on. And – not least important – to have a single place to turn when they need service, want to order new services or need help in managing their personal communications.

To meet these user demands, the operators' networks must allow mobility in a broad sense. This means the mobility provided by wireless networks as well as other forms of mobility, such as enabling a subscriber to be reached at the same telephone number or e-mail address regardless of where in the world he or she might be located.

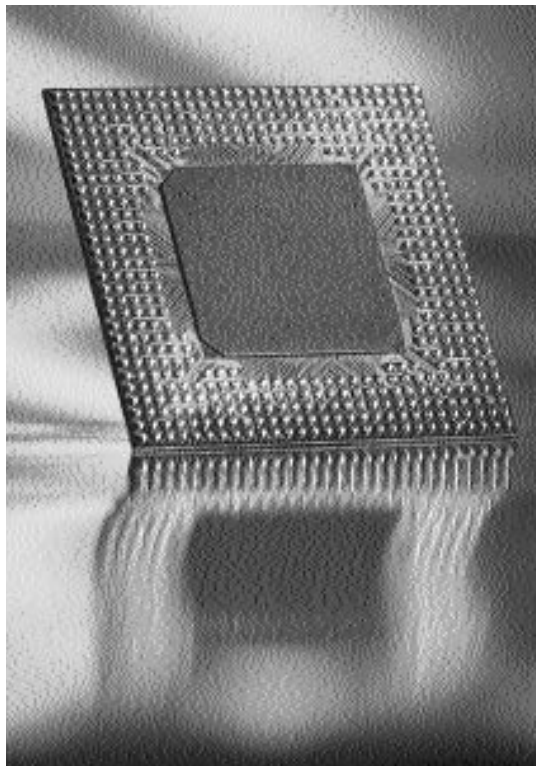
NEW BUSINESS LOGIC

New operators are now attracting subscribers by offering free access to communication networks. These operators are seeking revenues higher up in the value chain by offering online services such as electronic commerce and entertainment. This trend is a future threat to established operators who must offer the same terms to their customers. This is why operators are already beginning to offer Internet portals and forming alliances with content-oriented companies in the entertainment and information industries.

It is vitally important that today's operators choose the right strategy as they face the years ahead. They must also modernize their networks so that they are able to meet the demand for increasingly bandwidth-hungry services, including those we can foresee and others of which we as yet have no clear perception. The network upgrades now required must also be made without sacrificing profitability in today's service offering. New initiatives, and in many cases revolutionary solutions, are required to ensure future competitiveness.

STRONG BUSINESS STRATEGY

The vision of a future in which mobility is a central feature, and in which an entirely new business logic demands innovative solutions, has provided the foundation for Ericsson's new business strategy. It is a strategy that takes as its starting point the Company's position as the undisputed global leader in mobile communications – viewed from all perspectives – and its well-documented ability to offer innovative technology. What Ericsson now offers its customers are solutions for migrating to tomorrow's network architecture by gradually expanding network capacity and improving quality.



Switch circuit for third-generation/WCDMA networks.

Developing Ericsson's business with focus on profitable growth

ERICSSON'S CORPORATE Executive Team worked intensively during 1999 to further refine the business strategy that was formulated in 1998 and presented in last year's Annual Report. The Company's strategic focus is now even clearer: Ericsson will be the leader in tomorrow's converged data and telecom market by focusing its strengths on solutions for the mobile Internet and mobile telephony.

It is perfectly clear that communications will play the central role in tomorrow's world. In this world, voice, data, images and video can be communicated anywhere and anytime using many different types of device. This will increase productivity and the quality of life around the globe, thus creating a new world in which resources are used more efficiently.

Many progressive forces around the world are contributing to create these opportunities. Ericsson is one of the foremost and intends to be a driving force in the creation of tomorrow's sophisticated communications solutions and a prime model of network-based organizations in which innovators and entrepreneurs work together in global teams.

ERICSSON'S BUSINESS STRATEGY

• FOCUS ON PROFITABLE GROWTH

Ericsson will be the industry leader by focusing strongly on the sectors that the Company views as the most lucrative for the future – Internet solutions in the widest sense, but with particular emphasis on solutions for wireless access to the Internet. Total network solutions and applications and terminals for the mobile Internet are the areas that offer Ericsson the greatest business opportunities and that will be most strongly in focus in a few years.

When third-generation mobile phone systems become a reality, extremely strong growth is predicted for the mobile Internet. The development of wireless data communication is already picking up speed, and the pace will accelerate over the year, as GPRS and other new technologies increase speeds for wireless data transmission.

• SOLUTIONS TO TOMORROW'S NEEDS

Because established operators control the public communication networks, they have an advantage over the competition. Ericsson can help these operators exploit their advantage by offering cost-effective solutions for the necessary transition to a

new generation of network infrastructure and applications.

Ericsson's product portfolio spans over the new backbone networks that will handle many different types of service and includes solutions for accessing these networks.

Within business communications, Ericsson is already the leading supplier of systems and services for cordless telephony. Now the goal is also to take the lead in solutions for wireless data networks for business.

Ericsson will take advantage of its unique ability to offer total solutions that include infrastructure, terminals, applications and services, while continuing to promote open standards for data and telecommunications.

• CREATE ADDED VALUE FOR CUSTOMERS AND STRENGTHEN CUSTOMER RELATIONS

This is an important cornerstone in Ericsson's business strategy. The Company's new and strongly market-oriented organization is a valuable asset, because it clearly defines responsibility at a high level for all existing global and key accounts and also for important customers among the increasing number of new telecom operators. Great emphasis is placed on increasing understanding of user needs so that Ericsson will be better able to offer its operator customers the new solutions that users will demand.

Ericsson is active in more than 140 countries around the world and has over 120 years built up the largest customer base of any company in the industry. It is therefore essential – and in line with Ericsson's corporate values of professionalism, respect and perseverance – that we do not to leave existing customers in the lurch. Ericsson's business strategy thus emphasizes the importance of continuity in business relations, both between Ericsson and its customers, and between our customers and their customers.

ERICSSON'S MISSION

is to understand its customers' opportunities and needs, and to provide communication solutions better than any competitor.

IN DOING SO, Ericsson shall generate a competitive economic return for its shareholders.

E-box, gateway for management of intelligent home equipment.



- **REDUCE COSTS AND INCREASE EFFICIENCY**

In order to meet the market's demands, Ericsson must become faster and more cost-efficient and offer products of even higher quality. Increasing demands are also being placed on the Company's ability to develop new products and services quickly. To meet these demands, Ericsson is working on a broad scale in the Global TTC (Time To Customer) project, which is intended to reduce lead times drastically and to make the ordering of Ericsson products and services significantly easier and more reliable. The major upgrades of Ericsson's internal IT infrastructure now in progress are another important factor in increasing efficiency.

- **STIMULATE INNOVATION**

Ericsson set a new record in 1999 in the number of patent applications. A strong patent portfolio is extremely important in a technology-intensive industry such as data and telecommunications. Creating an innovative environment in which new product ideas can be evaluated quickly – and quickly brought to market – is therefore a high priority for Ericsson. It is essential that the Company works unceasingly to identify new business opportunities.

- **STRENGTHEN THE MARKET'S PERCEPTION OF ERICSSON THROUGH BRANDING AND MARKETING**

A large share of Ericsson's sales are made directly to consumers, making it all the more important to strengthen the Ericsson brand. The Company will therefore invest even more heavily in aggressive communication of its marketing messages and in other activities that will increase recognition and appreciation of Ericsson among broad groups. An increased emphasis on contacts with public authorities is motivated by the need to strengthen the Company's position among government agencies and organizations.

- **DEVELOP THE INTERNAL CULTURE, AWARENESS AND COMPETENCE**

Ericsson's products must be renewed faster than ever. At the same time, customers' are increasingly expecting us to understand their needs. Ericsson employees must therefore increase their awareness of what the industry is like today and how it will develop in the future.

During 1999, Ericsson initiated its greatest-ever effort to increase internal competence and awareness of the industry's constantly changing conditions.

Also, salaries and other benefits are being reviewed to make it easier for Ericsson to recruit and retain top talent. The extended option plan approved by an Extraordinary General Meeting during the autumn is an example of the type of measures that are now needed.

ERICSSON STRENGTHENED its market position substantially during 1999 through acquisitions and new strategic alliances. In line with its strategy to focus on small and medium-size companies with skills that supplement Ericsson's own expertise, Ericsson acquired several companies and became part-owner in others. In other cases, Ericsson broadened its skills and expertise through far-reaching programs of cooperation.

A strategic alliance with Microsoft, which was announced in the beginning of December, attracted the most attention, but many other important strategic moves were also made during 1999 to strengthen Ericsson's competitiveness. Some of the most important, in alphabetical order, were:

ELECTROLUX, SWEDEN

A joint venture company was established by Electrolux and Ericsson to research, develop and market products with access to the Internet to private homes.

JUNIPER NETWORKS, USA

Ericsson has entered a strategic alliance with Juniper in the area of next-generation multiservice-IP networks. Ericsson has gained distribution rights to Juniper's M40 router under the designation Ericsson AXI 520. Ericsson and Juniper will work together to develop new solutions for voice and IP communications.

MATEC, BRAZIL

Ericsson Telecomunicações in Brazil acquired an additional 67.5 percent of all shares outstanding in Matec. Prior to the acquisition, Ericsson owned 30 percent of the Brazilian company, which sells Ericsson's solutions for enterprise communications in the Brazilian market.

MICROSOFT, USA

A strategic alliance that focuses on the development and sales of total solutions for wireless Internet access has been formed. The alliance is based on a shared vision of convenient and rapid access to information anytime, anywhere, on any device. Microsoft and Ericsson will establish a joint-venture company to market and supply wireless e-mail solutions. Ericsson will be the majority owner of the new company. The agreement provides Microsoft with access to Ericsson's WAP software, while Ericsson, in turn, will be entitled to use Microsoft Mobile Explorer for its more advanced wireless terminals.

The joint venture will focus on building, marketing and using solutions based on Microsoft Windows NT Server and Exchange platforms with Ericsson's infrastructure and mobile Internet technologies.

OZ.COM, ICELAND

Ericsson is a part owner of the Icelandic company, which develops Internet software. The companies



AS THE EMPHASIS in data and telecommunications shifts to the mobile Internet, Ericsson will take the lead. Our dominance in mobile systems and unique expertise in wireless data provide a strong foundation for achieving this position.

TORBJÖRN NILSSON, SENIOR VICE PRESIDENT, MARKETING AND STRATEGIC BUSINESS DEVELOPMENT.

have cooperated in the past on projects such as iPulse, an Internet portal for simple Internet communications.

QUALCOMM, USA

Ericsson has acquired the infrastructure division of Qualcomm Inc., based in San Diego, CA, in the U.S. The acquisition was part of a larger agreement between Ericsson and Qualcomm, whereby all patent disputes between the two companies were resolved.

The acquisition includes Qualcomm's production and development units for CDMA systems in San Diego, CA and Boulder, CO. Ericsson also acquired Qualcomm's customer contracts for the systems, including some customer financing.

SARAIDE-COM, USA

Ericsson has become a minority owner of the San Francisco-based company. Saraide develops and provides sophisticated data communications services for mobile operators. Ericsson's investment is intended to stimulate the use of innovative services for mobile data communications.

SYMBIAN, UK

Ericsson's cooperation within the parameters of the Symbian consortium is not affected by the year-end agreement with Microsoft. Symbian, which develops operating systems for mobile terminals, was joined during the year by another important part-

ner: Matsushita Communication Industrial Co., the world's fourth largest manufacturer of mobile phones. Previous owners were Ericsson, Motorola, Nokia and Psion.

SYMBOL TECHNOLOGIES, USA

The companies will jointly market and exchange technical expertise in wireless LAN-based telephony and datacom solutions. The alliance is focused on the market for local mobility within business enterprises via a common network for voice and data.

WebSwitch and other access products are now being offered to Symbol, which, in turn, provides telephones for VoIP (Voice over IP), portable computers and other products.

TELEBIT A/S, DENMARK

Ericsson acquired 75 percent of the Danish company, which specializes in the development of next-generation Internet. Telebit is the world leader in IP version 6, and was the first company to offer commercial router solutions for this version of the Internet protocol. Software for IPv6 and multi-protocol solutions will be integrated into Ericsson's mobile network offering.

TELULAR, USA

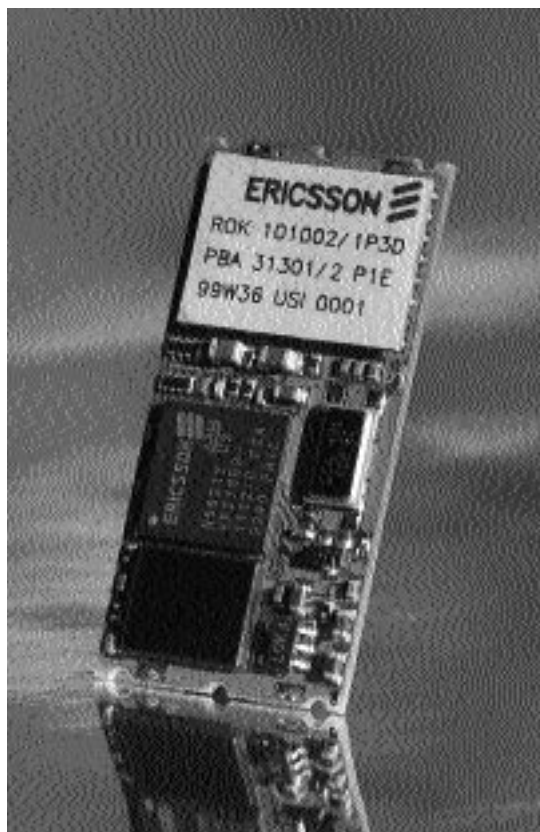
Cooperation focused on the development and sales of Telular's terminals for fixed cellular TDMA networks. The alliance provides Ericsson with opportunities to offer turnkey solutions for these networks. The companies will work together on further development of Telular's terminals by integrating Ericsson's radio modules for TDMA into the products.

TORRENT NETWORKING TECHNOLOGIES, USA

Ericsson acquired the Maryland-based company in the beginning of 1999. Torrent manufactures high-capacity aggregation routers. Its router products offer strong supplements to Ericsson's own solutions for IP over ATM networks. Torrent's operations have been integrated into Ericsson's Datacom and IP business unit under the name of Ericsson IP Infrastructure Inc.

TOUCHWAVE, USA

Ericsson acquired TouchWave, an American company based in Silicon Valley, in the beginning of 1999. The company develops and manufactures IP-telephony solutions for enterprise communications. As a result of the acquisition, Ericsson is now able to offer total solutions for IP-PBX systems, which operate with VoIP. The company's most important product is WebSwitch 2000, an IP-based enterprise switch for small companies. TouchWave is now included in Ericsson's Enterprise Solutions business segment under the name Ericsson WebCom Inc. •



Bluetooth, module for wireless communication over short distances.

Complete product portfolio for tomorrow's networks

DURING 1999, WORK was started to refine Ericsson's product portfolio, so that it better corresponds to the Company's strategic focus on wireless multi-media and broadband access, as well as to the new generation of infrastructure that will be required.

To understand the logic behind the strategic product portfolio that Ericsson is now building, the reader must first understand the logic behind tomorrow's data and telecommunications networks. The next generation of communications networks will be built according to a model with three clearly distinguishable and mutually independent levels:

- CONTENT, APPLICATIONS AND PORTALS
- CONTROL AND MANAGEMENT
- CONNECTION AND TRANSPORT

The content level contains applications for individual users. These may be made available over the Internet or on special network servers.

The control level contains all the functionality required for controlling and managing the network, keeping track of subscribers, handling mobility, monitoring the network, and so on. In short, it provides everything needed to set up a connection for data or telecommunication.

The connection and transport level is that which most resembles a traditional communications network. It contains all functionality for access to the network, as well as the central transport or backbone network. Simply put, it provides the physical channel for communication and information.

Viewing the network from these three levels makes it easier to understand the logical division of labor in tomorrow's communication networks. The model can be applied to all types of network – public or enterprise. This applies to fixed or wireless, voice or data, and so on. Each individual layer plays its own role in generating revenues for the operator.

FOCUS ON INFORMATION

The primary source of revenue for tomorrow's network operators will be found at the content and applications level. This is where the information-based services are located for which users are willing to pay, either in relation to the time they are connected or the volume of information that is downloaded via the network. Electronic commerce and other online services are good examples of

applications found at this level. Another strong growth area is ASP (Application Service Provisioning), which is a technique for enabling users to download application software over the Internet for a fixed price instead of buying it over the counter.

In the future, traditional voice communications with good speech quality will be just one of many services and applications. Voice recognition is an example of how tomorrow's networks will sometimes need to employ real-time voice communications.

The various services at this level will primarily be developed by specialized companies that have entered into partnerships or some other form of alliance with network operators. The equipment required at this level consists primarily of server platforms with open interfaces and software that enables communication.

Ericsson has developed a concept called Open Service Architecture (OSA) for this level. OSA supports all forms of access and global interoperability and works with technical equipment from most suppliers.

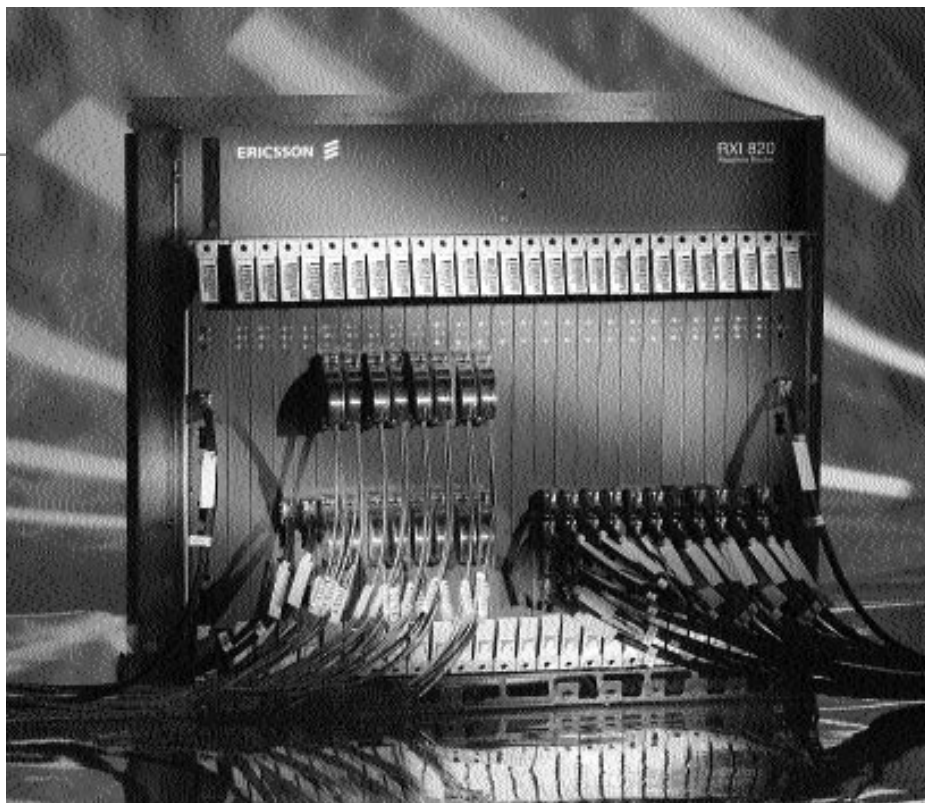
WAP services are another area in which Ericsson is extremely active in supporting the development of new applications at the content level. The business logic for Ericsson is simple: the more services and applications that can attract end-users at this level, the greater will be the load at lower levels and the corresponding need for Ericsson's systems and solutions for these levels.

The partnership with Microsoft, which was announced in December, should also be viewed against the background of the new business logic. The same applies to investments during 1999 in the companies OZ.COM and Saraide, both of which are focused on developing attractive services for network operators' customers.

RETAINING CONTROL ESSENTIAL

The Internet would not be possible without mechanisms for linking public and private networks. These mechanisms, communications protocols and signaling standards, are regulated at the communication control and management level. For the operator, this level simply must function, otherwise revenues are lost. This level contains the system logic for systems such as GSM, fixed telecom networks, data and IP networks and, of course, for future systems such as third-generation mobile systems and other multimedia networks.

Much of the network operator's profits will be



RXI 820, the world's first real-time router for wireless networks.

generated at this level. According to the business model, if operators are to retain their position at this level of the network model, they must protect their competence in this area and make the required investments in server platforms.

Ericsson has developed several such server solutions, launching Telephony Server during 1999, which is a technology for voice communication over IP (Voice over IP, VoIP), as well as a solution for messaging in IP networks (Messaging over IP), which can also handle mobility.

Ericsson is also a leader with respect to management and operations support systems for communications networks. In this area, Ericsson works in partnership with companies like Hewlett-Packard, Compaq, and Bull.

COMPLETE NETWORK PORTFOLIO

The level for connection and transport provides the mechanisms for the transport of all types of information: voice, data or multimedia. In the future, these mechanisms will be based on IP and ATM technology. For operators, the challenge is to find the most cost-effective solution for building this network level. The architecture required at this level encompasses the transport (backbone) and access networks.

The development of products for tomorrow's access network receives high priority at Ericsson. This is also the part of the network architecture that accounts for the major share of investments at this level in the network model.

For mobile access, where Ericsson is the world leader, systems are offered for every standard currently in operation. Extensive investments in GPRS, which will significantly increase data rates in GSM networks, have also made Ericsson the leader in this area. In next-generation (3G) systems, Ericsson has been driving development for some time and is the

only supplier able to offer 3G systems in accordance with all currently established 3G variants.

THREE SOLUTIONS FOR BROADBAND ACCESS

3G offers wireless broadband access. For broadband access to the fixed network, Ericsson has focused on three solutions: ADSL for broadband access over ordinary copper cable, LMDS (MINI-LINK BAS) for broadband access to the fixed network over radio, and PipeRider for broadband communication via the cable TV network.

In tomorrow's IP-based networks, communication will be switched from the access network to the transport network via access routers.

Ericsson has developed a common platform for the access network that can handle both IP and ATM. The RXI 820 is a first-of-a-kind real-time router developed specifically for wireless networks. It is intended for use in IP-based networks that require real-time performance and low fault tolerance. It handles the latest versions of the Internet protocol, IPv4 and IPv6, and can be expanded incrementally as capacity requirements increase. Another access router from Ericsson is the AXC 711 (Tigris).

In the backbone network, signals are first forwarded to aggregation routers. With the purchase of Torrent Networking Technologies Inc. last spring, Ericsson gained access to a gigabit aggregation router, the AXI 540. For traffic in ATM-based networks, the company has developed the AXD 301, which is a scalable ATM switch and the cornerstone in Ericsson's ENGINE concept for incrementally introducing IP and ATM technology into the backbone network.

At the highest level in the network, Ericsson, through its partnership and equity stake in Juniper Networks, can offer the AXI 520, a router for data speeds of 40 gigabits per second and higher. •



A2618, dual-band phone with exchangeable snap-on covers and extended personalization features.

Technical development supports Ericsson's strategy

ERICSSON'S STRATEGIC PRODUCT portfolio is being enhanced continuously. In order to strengthen its position in the market for datacom and IP networks, Ericsson has made a number of strategic acquisitions and entered important partnerships in recent years. However, within its own core business, mobile telephony and real-time telecommunications networks, Ericsson is a global leader in technology development.

Ericsson's corporate function Technology has as its primary mission to ensure that product development is in line with the Company's business strategy and to define the strategies that determine when new products will be introduced. The corporate function Technology is also charged with identify-

ing areas in which synergies in Ericsson's technical development can be exploited.

During 1999, Ericsson invested SEK 34,700 m. (30,200) in technical development, corresponding to 16 percent of net sales. The number of employees active in research and development during the year was 23,500 distributed among research centers in 25 countries.

The fact that Ericsson's technical development is so highly decentralized is primarily due to historical reasons. The Company's research and development organization has expanded greatly over the past 20 years thanks to the AXE system's success. One of the advantages of AXE is that it is a modular system. As a consequence, it has been easy to dele-

gate design responsibility for local adaptations to Ericsson units in the markets in which the Company's largest AXE customers are active. In many cases, establishing local technical resources in this manner was a political prerequisite for winning contracts at a time when many operators were state-controlled monopolies.

CONSOLIDATION NOW NECESSARY

In view of the pending technology shift, in which circuit-switched systems such as AXE are merging with IP- and ATM-based communications systems, the demands on Ericsson's development organization are also changing. In tomorrow's systems, it will be necessary to make modifications for local markets quickly and within the framework of common and open standards. This will require a concentration of resources to fewer and stronger resource centers.

The goal is that it should be possible to implement this process without losing valuable expertise. The new technology organization that is taking shape will be sufficiently flexible to handle the widely varying demands on development resources made by today's product cycles.

FOCUSED PRODUCT UNITS

Ericsson's product development takes place in special product units. Operations in these units were streamlined during 1999 to encompass only product development. In cases where resources had been built up for sales and marketing, for example, they were transferred to the business unit to which the product unit belongs. The result of this streamlining is greater efficiency and a clearer focus for each product unit.

DRIVING FORCE BEHIND 3G

Ericsson's position as the technology leader in mobile systems is undisputed. No other company can offer its customers mobile systems according to every existing analog and digital system up to and including second-generation mobile systems, which are now in operation all over the world. Neither can any other company offer customers as broad a range of solutions for what is called 3G (third-generation) mobile systems. At year-end 1999, Ericsson had 17 functioning 3G test systems in operation. The first of these was approved in early 1998 by NTT DoCoMo in Japan, which in April 2001 is expected to be the world's first operator to take a commercial system into operation – supplied largely by Ericsson.

Ever since discussion of a new global system for third-generation mobile telephony began, Ericsson has played a leading role. The Company can now take satisfaction in the fact that WCDMA, the technology that Ericsson began developing in 1990, is now the established standard for 3G. During 1998, a decision was taken by ETSI and ARIB, the European and Japanese standards bodies, to adopt WCDMA as

the standard for 3G. This led to the formation of the global standards organization 3GPP.

In March 1999, an agreement was reached between Ericsson and Qualcomm, which meant that both companies would back a common global WCDMA standard. The agreement paved the way for an ITU decision in November 1999 establishing WCDMA as the standard for 3G under the name IMT-2000 Direct Spread. The first release of the standard was finalized by 3GPP in December 1999.

With the acquisition of Qualcomm's infrastructure division, Ericsson also gained access to IS-95 and its enhancement in the form of the technology called IMT-2000 Multi-carrier.

Ericsson is pleased that the ITU recently also established EDGE as a standard for 3G. EDGE provides a natural migration of GSM to 3G but will also be an important 3G technology for existing TDMA operators in the U.S. and Latin America. These operators will be able to use EDGE to introduce 3G in existing frequency bands, while WCDMA will require specially allocated frequencies in the 2 GHz band, which has been reserved in most parts of the world for UMTS and IMT-2000.



THE ITU DECISION

in 1999 to adopt WCDMA as a standard for third-generation mobile telephony is a major cause for celebration. Ericsson has been promoting this solution for several years and driving efforts to harmonize the various proposals for third-generation systems.

JAN UDDENFELDT,
SENIOR VICE PRESIDENT,
TECHNOLOGY

NEW NETWORK ARCHITECTURE

Third-generation mobile systems offer wireless broadband communications at speeds up to 100 times faster than today. There are many application areas for this technology including wireless Internet access, e-mail and the transmission of multimedia to portable terminals or postcards directly from mobile phones to the receiver.

This revolution in wireless communications will also require modifications in the fixed network. This is why 3G is such a powerful driving force behind the new network architecture now on the horizon. New solutions have been developed to make this architecture possible.

A platform that handles both ATM and IP has been developed. It functions as a media gateway that mediates access to the backbone network from 3G networks. Ericsson successfully tested the platform in Japan during 1999 and expects to make the product available when 3G networks start to be deployed in 2001.

The same platform is included in the new RX1 820 IP router, which is a part of Ericsson's solution for the 3G network. The platform was developed specifically for wireless broadband networks and their demands for real-time functionality; for example, to handle the synchronization of base stations.

MIGRATION FOR THE CUSTOMER'S SAKE

Many of Ericsson's technical solutions are characterized by their facilitating a smooth migration from previously installed systems to a new system. This was the case, for example, with mobile systems for TDMA, for which operators of analog AMPS networks

were offered a technology that was added to the existing infrastructure and which thereby digitized the network. This method of migrating from one technology to another is extremely cost-effective for the customer and allows shifts in technology to be made incrementally, without affecting end-users.

Ericsson's WCDMA technology is designed to allow today's GSM customers to migrate easily to the new technology.

The corresponding migration technology for the fixed network is provided by ENGINE, which accommodates circuit-switched and packet-switched services in the same network. Existing AXE switches, for example, can be expanded with AXD 301, Ericsson's scalable ATM switch, in order to handle a growing volume of data traffic in the same network. This solution for next-generation networks achieved a breakthrough in 1999.

NEW GENERATION AXE

For more than 20 years, AXE has been the foundation of Ericsson's success in fixed and wireless communications. During these years, development of the AXE system has continued.

During 1999, work continued with the next-generation AXE system, which is scheduled for introduction during 2000. The new-generation system will constitute yet another giant step in increased capacity and reduced size for AXE switches. Development of the AXE system will continue for several years.

COMPLETE ROUTER FAMILY

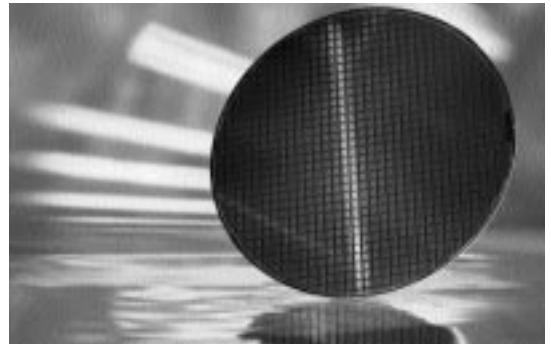
Ericsson achieved major advances in the market for IP and data communication during 1999. The goal of becoming a leading supplier even in this area has not yet been completely realized, but the Company's position was strengthened considerably.

The AXD 301 ATM switch, which was developed by Ericsson, is beginning to achieve commercial success. Ericsson's platform for combined IP and ATM traffic in 3G networks is another technically very powerful solution. In addition, the Company strengthened its position in routers during 1999 through several strategic acquisitions and partnerships.

A previously established partnership with Juniper Networks regarding the development of backbone routers was extended during the year. Ericsson obtained the right to market Juniper's 40 gigabit router under its own brand.

In March, Ericsson acquired Torrent Networking Technologies in Maryland in the U.S. Marketed as the Ericsson AXI 520 and AXI 540, Juniper's and Torrent's aggregation routers fit well into Ericsson's product portfolio, as does the Tigris access router obtained from the California-based company ACC, which was acquired in 1998.

IP-based communication is one application area for routers. With the acquisition of the Århus,



Eight-inch silicon wafer with datacom circuits.

Denmark-based company, Telebit, during the autumn, Ericsson was assured of leading-edge expertise in the development of IPv6, which is the next version of the protocol. Telebit is a world leader in developing this important next-generation IP technology and already has the world's largest installed base of next-generation routers.

WAP AND BLUETOOTH FOR CONSUMERS

Never before has Ericsson introduced as many mobile phones as in 1999. With the T28, a transition was made to an entirely new technical platform using three volts instead of four and with many new technical features, including a new chip



set and a new radio subsystem employing homodyne technology. This platform will be used for new models to be introduced during the year 2000.

Three different terminals were also introduced during 1999 that employ WAP (Wireless Application Protocol) technology for more efficient exchange of information between the Internet and the wireless device. The MC218, which was introduced first, is a separate handheld computer for wireless communication and includes an infrared port. The EPOC operating system is also built into the MC218, making it the first concrete result for Ericsson of the Symbian joint venture. The Symbian partnership, which was started by Ericsson, Motorola, Nokia, Psion and others, was expanded in 1999 to include the Japanese company Matsushita.

The R320 and the R380 are WAP-phones that will be available in volumes during 2000. The R320 can most easily be described as a T28 with a considerably larger display and extra keys for WAP-navigating in the display. The larger R380 has a larger display that can be used to access built-in applications such as a calendar, an e-mail client and a web browser.

Bluetooth is a new, small and inexpensive radio-frequency chip that Ericsson Components has

already taken into production. The chip is based on technology that was developed by Ericsson and offered to other companies as early as 1998, when a consortium was established by Ericsson, IBM, Nokia and Toshiba to support the technology. During 1999, the special interest group that was established for Bluetooth grew from 400 to close to 2,000 companies. Bluetooth is thus the *de facto* global standard for radio communication between different devices over short distances.

At the Comdex exhibition in the U.S. in the autumn of 1999, Ericsson demonstrated its first Bluetooth product, which consisted of a cordless headset equipped with a microphone that communicates with a mobile phone that can be carried in a pocket or a purse or located elsewhere within the 10-meter range of current Bluetooth technology.

STRATEGIES FOR BROADBAND ACCESS

Toward the end of 1999, Ericsson established its strategy for access products. This decision marked a concentration of the Company's development efforts to three areas: ADSL, LMDS and IP via cable-TV networks. ADSL (Asymmetrical Digital Subscriber Line), a technique for increasing capacity in existing copper networks, provides very high bandwidth for the downstream link. This technology is particularly suitable for using existing telephone lines for video on demand, high-speed Internet access and similar services. Ericsson has a leading position in this area. Swedish network operator Telia is building an extensive ADSL network with the help of Ericsson and other suppliers.

LMDS (Local Multipoint Distribution Services) is a technology for high-speed radio networks in which microwave transmission provides a high-speed connection to voice and Internet services for small and medium-size business and multiple unit dwellings. Radio technology is thus employed to rapidly and cost-efficiently provide broadband access to the fixed network.

Ericsson's main product in this area is MINI-LINK BAS, which is available for European and U.S. radio standards. The U.S.-based Diginet is one customer who has already ordered this access solution from Ericsson for deployment in its network in Latin America.

For the third type of broadband access, which is cable TV, Ericsson introduced the PipeRider product in 1999. PipeRider is a cable-TV modem that is used to provide voice and Internet access in the home. In its first generation, PipeRider was designed according to the American DOCSIS standard. Using its router products, Ericsson is also developing infrastructure for IP communication and delivery of voice and data over cable-TV networks.



MINI-LINK BAS, system for wireless-fixed network access using so-called LMDS point-to-multipoint solutions.



T28 and T28 World, dual-band phones based on new technology and hardware platform. Voice control, lithium polymer battery.

How to save money while pleasing customers even more

SUCCESSING in the data and telecommunications market requires being able to deal with rapid change. Ericsson's customers – network operators and businesses – are keenly aware of this. That is why they demand so much of their suppliers: fast delivery, rapid development of new solutions requested by users, quick response when a problem needs to be solved, and so on.

Ericsson has been working hard and conscientiously over a period of years to reduce lead times at all levels. When the new organization was introduced at year-end 1998, the need for speed was given additional emphasis. Over the past year, major steps have been taken within the framework of TTC Global, an Ericsson-wide project led by the corporate function Supply & IT that, among other things, aims at reducing lead times.

Shortening TTC, or Time to Customer, is the overriding goal of the project, by reducing the time from when the customer places an order until a product has been delivered and is ready to be put into operation. The target for TTC Global is to reduce lead times in the supply chain by 50 percent or more. At the same time, using Internet technology, simpler and thereby faster ordering routines are being created for customers.

HIGH-LEVEL DELIVERABLES

One of the most important means of achieving the TTC Global goals is a transition from previous delivery methods to what is called high-level deliverables. This means that products delivered to customers should be as ready to use as possible. A radio base station, for example, should have all software installed and be ready to take into operation. It should be delivered completely assembled and ready for rapid installation, which entails simply connecting the necessary power and communications cables.

The transition to high-level deliverables means that the customer can identify a suitable solution in Ericsson's product portfolio based on current requirements and order a complete package via a web-based application.

The TTC Global management is aware that not all of Ericsson's product portfolio can be ordered in this manner, but most products can be delivered using the simplified routines.

Because the operations of Ericsson's customers are becoming more global, this method of delivery is much appreciated. What a mobile operator needs for a network in one part of the world is often exactly the same as what was purchased for

the same operator's network somewhere else. Global customers demand the same simple ordering routines and delivery procedures, regardless of where in the world the product will be put into operation.

The transition to direct ordering via the Internet enables substantial savings through rationalization. Previously, orders were often sent from one order office to another within Ericsson before finally reaching the unit that would complete the delivery. Most of these intermediary points in the old process can now be eliminated. Every step in the process that does not add value for the customer will be removed.

BASE STATION IN 15 DAYS

The methods developed by TTC Global were tested successfully during 1998 and 1999 with deliveries of radio base stations to Germany. This experience proved that the methods are sound. Customer reactions were overwhelmingly positive. The simplified ordering routines pleased the customers and earned them money, since deliveries of needed capacity increases could be guaranteed in half the time previously required.

Customers are also receiving better information than before. Web technology is being used to simplify customer orders, and to allow the customer to track how orders are being processed within Ericsson's organization.

SPREADING THROUGHOUT ERICSSON

The new methods are now being used with more products throughout Ericsson. Wide application of the TTC Global methods is being given the highest priority by executive management, not only because they improve and strengthen the relationship with the customer, but also because of economic incentives. TTC Global has shown that it is possible to reduce personnel requirements in the supply chain by 25 percent. In monetary terms, this corresponds to at least 3 percent of invoiced sales for all products that can be handled in this manner.

Vodafone Airtouch, which is one of Ericsson's largest customers in mobile systems, gave the Company the highest possible marks for its working methods last year when the operator decided that this delivery model would be the standard for all its networks around the world.

R250 PRO, the world's first water- and shock-resistant mobile phone. Combined mobile phone and private radio.



THE GOAL OF

TTC Global is to sharply reduce lead times and to simplify the entire supply chain. The economic potential of such improvement is substantial. We can reduce personnel requirements in the supply chain by 25 percent, which in terms of money is at least 3 percent of sales for all products that can be handled in this way.

BJÖRN BOSTRÖM,
SENIOR VICE PRESIDENT,
SUPPLY AND INFORMATION
TECHNOLOGY



Millennium shift renews IT structure

THE GUIDING PRINCIPLES for Ericsson's millennium program were to uphold customer confidence, to protect shareholder investments and to secure the Company's internal working conditions.

All three of these goals were achieved inasmuch as Ericsson did not experience a single serious incident during the transition to the new millennium. After the New Year, work resumed among Ericsson's customers without interruptions.

Ericsson took the Y2K issue seriously. An extensive program to handle the transition was started as early as 1997. The program encompassed all Ericsson companies and operations and was monitored by executive management. The total cost of the Millennium Program was SEK 2,700 m.

Ericsson made a great effort to eliminate and minimize all Y2K-related problems. All products were tested to determine whether or not they are Y2K-compliant. In certain cases, customers were offered upgrades. An extensive review was also conducted of mission-critical information systems and of all steps in the delivery chain from order to installation.

WORKING AROUND THE WORLD

To assist customers around the world, more than 3,000 Ericsson employees were on duty on New Year's Eve in more than 200 locations around the world. To coordinate their activities, a number of new routines and systems were implemented and tested, including a worldwide communications system for the rapid collection of information.

At the millennium shift, the load on public telephone systems was at times extremely high. In some areas, subscribers experienced problems in making calls, but this was due entirely to overloading of the networks. When traffic returned to normal, service levels were also restored to normal.

MORE RELIABLE IT INFRASTRUCTURE

As a result of the millennium shift, Ericsson's internal IT infrastructure is more highly optimized, more secure and more efficient than ever before. All software used throughout Ericsson was reviewed. Many systems and applications were phased out entirely, while others were upgraded. Work to create uniform standards, including the continued



PipeRider, modem for data communication over cable-TV networks.

introduction of ESOE (Ericsson Standard Office Environment), was speeded up by the Millennium Program.

ESOE means that an Ericsson employee is able to sit at any PC anywhere throughout the organization and immediately begin working with familiar software in a familiar computing environment. This increases internal efficiency and makes it easier to relocate employees temporarily or permanently.

Several major virus attacks during 1999 also confirmed the strength of the ESOE concept. Thanks to central administration of virus protection and frequent updates, Ericsson has withstood all severe virus attacks to date without major damage. By year-end 1999, nearly 80 percent of all Ericsson employees had ESOE installed in their PCs. The goal is to complete the implementation of this standard environment during the year 2000.

NEW ADMINISTRATIVE SYSTEMS

SAP R/3 has also been introduced as a standardized environment for many of Ericsson's administrative routines. To date, 36 major installations have been completed throughout Ericsson.

During 1999, a number of new intranet-based systems for internal administration were taken into operation. "Click to Buy" is one example of the increased efficiency made possible using intranet technology. This is a system for purchasing and ordering non-product related goods that will gradually replace traditional methods, which are often cumbersome and bureaucratic. For input goods, the electronic transfer of information already exists. •

A new Ericsson emerging



NEVER BEFORE HAS Ericsson worked so hard to increase internal competence and to change the way of thinking and acting on the job. If we are to succeed in the new telecom world, every employee must understand how it works and what will be demanded of our customers if they are to succeed.

BRITT REIGO,
SENIOR VICE PRESIDENT,
HUMAN RESOURCES AND
ORGANIZATION

TEN YEARS AGO, ERICSSON had 70,000 employees, more than half of whom worked in a business area called Public Telecommunications. It was built up around the AXE switch and dominated Ericsson's business totally. This was the unit that generated the profits that financed Ericsson's bold new investments in mobile telephony, business systems and component manufacturing.

Ericsson's customers were state-owned PTTs, one in every country, that at regular intervals went to the market and requested tenders for new deliveries based on very detailed technical specifications developed by the customer's engineers. A typical tender occupied several meters of shelf space and took months for a team of skilled engineers to prepare.

That was what the telecom world was like ten years ago. Just about what it was like 50 years ago.

Today, ten years later, it is history. Communication in fixed telecom networks is still an important business for Ericsson, but it is no longer the motor in the Company's operations. Instead, mobile telephony accounts for the lion's share of revenues and totally dominates the business. The ten years that have passed have entailed enormous changes in the Company. The ten years ahead will bring even greater changes.

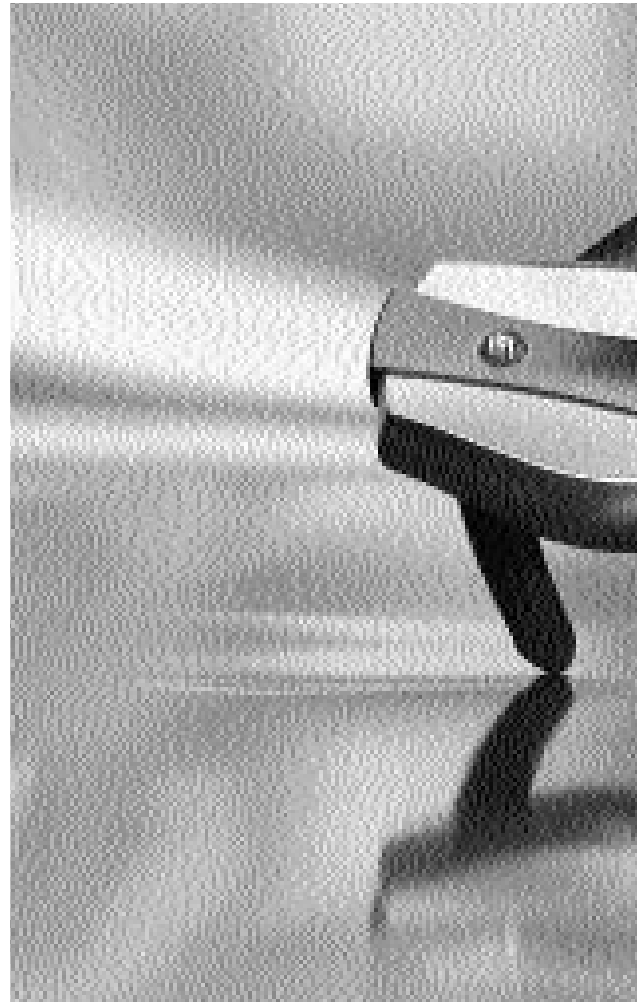
Restructuring is a word that Ericsson and other companies in the industry will need to learn to live with. Tomorrow's winners will be the companies that are best at change and best in reallocating competence and resources.

Daring structural initiatives, distinct and proactive management and smart working methods will unquestionably be needed to provide the flexibility the market demands. But above all, an open mind will be required of everyone working in the Company, meaning that the business culture must be one that encourages change and seeks opportunities in change. This is why one of the most important aspects of Ericsson's business strategy is the one that concerns the people within the Company.

- DEVELOP THE INTERNAL CULTURE, AWARENESS AND COMPETENCE

CONTINUED RESTRUCTURING

During 1999, work to restructure Ericsson continued at an increasingly rapid pace. The organization that was introduced in January 1999 was polished and further refined during the year. Great effort was devoted to promoting understanding of the new



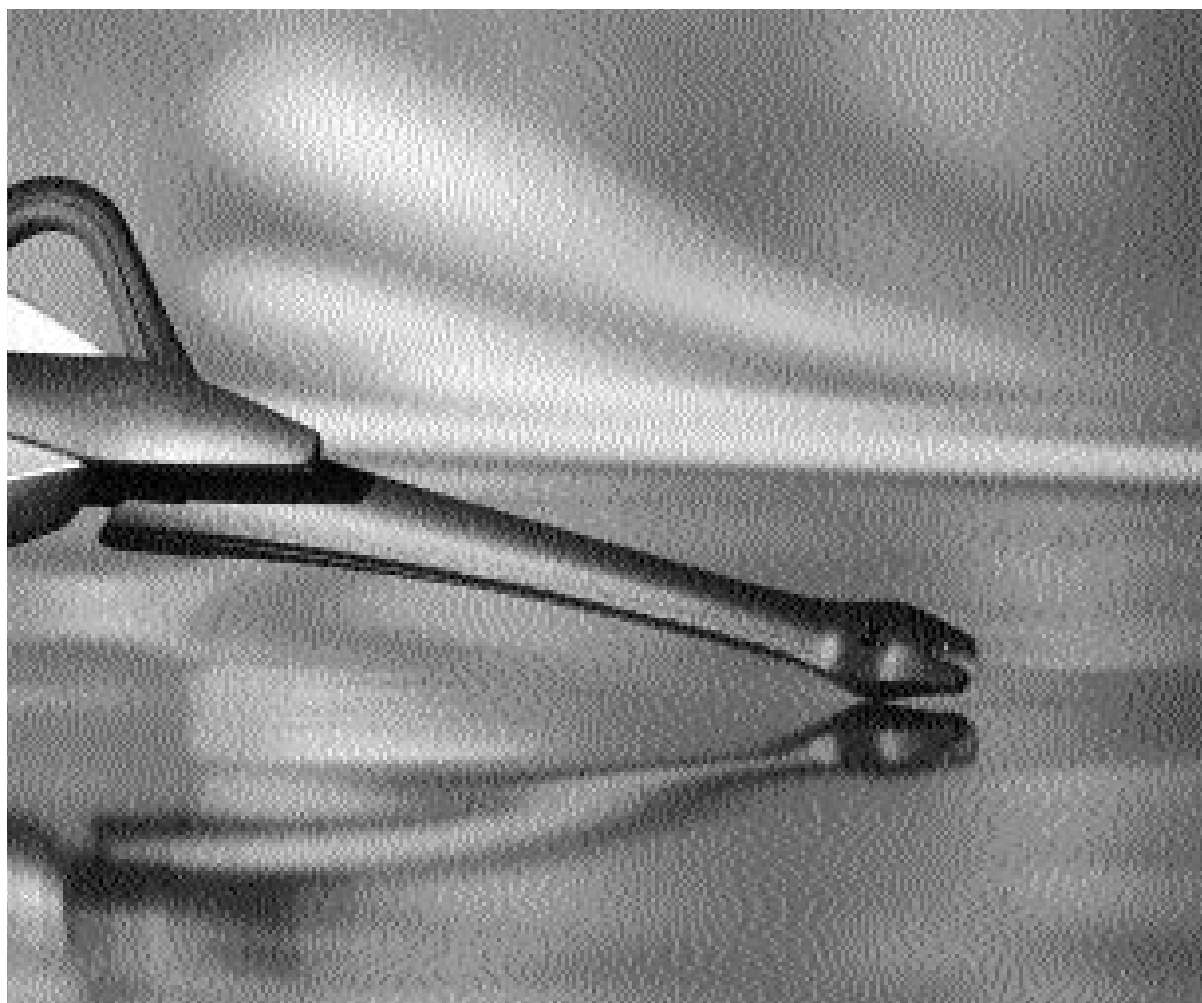
organization among the Company's employees and to defining and disseminating knowledge of the new division of roles and responsibilities in the Company.

SLIGHTLY FEWER EMPLOYEES

At year-end 1998, Ericsson had 103,700 employees. One year later this number had fallen to 103,300. This relatively modest decline is the net result of 8,000 persons leaving Ericsson during the year, while 7,600 joined the Company through acquisitions or strengthening of resources in strategic areas for the future. Mobility within Ericsson remains high.

This trend will continue in 2000, as a result of letters of intent that were signed in late 1999, and through a continued realignment of work assignments. The sale of the Energy Systems business in January 2000 was a first step in Ericsson's continued focus on core operations, meaning that 2,300 persons begin working for a new employer.

Several important company acquisitions during 1999 greatly contributed to strengthening Ericsson's competence in the datacom and IP field. With the Company's current strategic focus, additional strengthening of resources in this and other central areas will be required. Ericsson is therefore contin-



The Bluetooth Headset contains a wireless earpiece and microphone for mobile phones.

uing to pursue an acquisition strategy that seeks to identify small and medium-size companies with key expertise that supplements the already high level of skills within Ericsson.

Individual recruitment of highly skilled new employees is also a high priority for Ericsson. During 1999, a completely new policy was established for new recruitment by which we will not recruit to

fill vacancies in existing operations, but instead actively seek the most talented people, offer employment, and thus secure the skills the company needs. An international working group is now working to develop guidelines for implementing this policy.

To support the new recruitment model, Ericsson is also working actively to become more visible and

NUMBER OF EMPLOYEES BY GEOGRAPHIC REGION

	1999		1998		1994	
	Number of employees	percent	Number of employees	percent	Number of employees	percent
Europe, Middle East, Africa	70,900	68	74,900	72	59,300	78
USA and Canada	12,200	12	9,800	9	6,200	8
Latin America	8,200	8	7,800	8	4,500	6
Asia Pacific	12,000	12	11,200	11	6,100	8
Total	103,300		103,700		76,100	
Of which Sweden	43,500	42	44,600	43	36,600	48
Of which EU	65,700	64	70,000	67	17,700	23

During 1999, the number of Ericsson employees declined slightly. The markets in which the number of employees increased the most are primarily markets, such as the U.S. and Brazil, in which companies were acquired during the year. In Sweden, the number of employees continued to decline as a consequence of operations being sold to other companies.

better represented at leading universities and colleges around the world. The Company has long had excellent relations with the academic world, which will now be cultivated in order to make Ericsson even more known as an excellent and exciting employer.

GLOBAL TRAINEE PROGRAM

Ericsson's global presence in more than 140 countries gives the Company a very broad base for recruitment, while allowing new employees to be offered an opportunity to work internationally. An excellent start for an international career at Ericsson is the new global trainee program that was started during 1999.

This is a two-year program consisting of three six-month job training periods interspersed with theoretical studies. One job-training period is spent with an Ericsson customer, while the theory units are arranged in cooperation with leading universities worldwide. The program is very international with study units arranged in different parts of the world and in the composition of the trainee group.

Several thousand persons applied for the 17 places in the first program. Six women and eleven men from nine different countries were selected. All had high grades from university, and most had two degrees. The trainee program is actively supported at the highest level in the Company. The steering committee for the program includes three of the fourteen members of the executive management team.

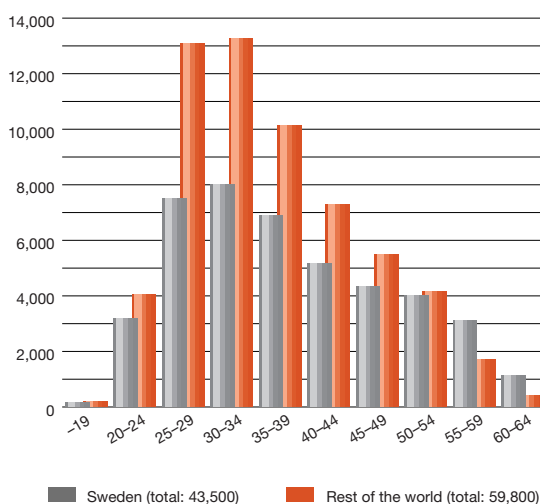
GOING FOR A SHIFT IN SKILLS

During the spring of 1999, Ericsson's executive management began planning for what would be



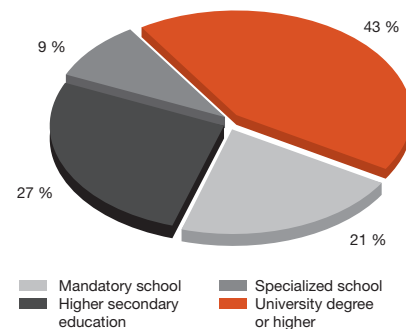
Chatboard, keyboard to facilitate the writing of SMS messages and e-mail.

EMPLOYEES BY AGE GROUP



The average age of Ericsson employees is gradually declining. More than half of all employees are 35 or younger. The lowest average ages are found in growth countries, such as China and Brazil, where it is 32. The average age in Sweden is 39.

EMPLOYEES BY LEVEL OF EDUCATION



The level of education of Ericsson employees has increased throughout the 1990s. Today, 49 percent of all Ericsson employees have an academic degree, which is an increase of five percentage points over the past two years. The average level of education is highest in growth markets in Asia and Eastern Europe, as well as in parts of Latin America. In several countries, more than 75 percent of all employees have an academic degree.

the Company's largest investment in skills enhancement to date. Through the Competence Shift, as the program is called, the intention is that all of the Company's 100,000 employees will gain an increased understanding of how the new telecom world functions. The Competence Shift focuses on explaining new technology, new business logic and the new market situation that Ericsson is facing. The idea is that awareness of the forces driving development will make it easier to understand and accept the Company's business and product strategies.

An internal development program this comprehensive would not be possible without the very technology that the Competence Shift is designed to explain. A new web site on Ericsson's intranet provides the base for the entire program. Here employees can start by playing an entertaining diagnostic game that reveals the gaps in their knowledge. These gaps can then be filled through various interactive courses.

In addition to the centrally initiated Competence Shift, a number of similar activities were started throughout Ericsson in 1999. The GSM Systems business unit provided training in data communications for 4,500 employees during the year. The Knowledge Step, as the program is called, is now being extended to many other companies and units within Ericsson.

For customer account managers, Ericsson Business Academy developed an intensive course called Inside the IP tornado, which describes the business logic in Silicon Valley. During 2000, at least 300 persons will participate in this training.

There are also various local initiatives in the area based on needs in respective Ericsson markets.

Good reputation in society increasingly important

MANY COMPANIES around the world have realized the importance of being perceived as a respectable and responsible citizen in society. They have understood that a good reputation also has a commercial value. It is easy to appreciate that public authorities and organizations are more favorably disposed to companies that contribute to improving society and make their resources available in emergency situations. Not quite as self-evident – but no less important – is that today's consumers increasingly expect that the companies whose products they purchase should be companies that distinguish themselves from others and through their actions win the customer's confidence. It is becoming increasingly natural for today's consumers to prefer doing business with "good" companies rather than with "bad" ones.

POSITIVE IMAGE

Ever since the Company was founded more than 120 years ago, Ericsson has taken pride in being ethical in its actions and practicing fair business methods. This is a part of the business culture that Lars Magnus Ericsson established and something that has contributed to creating a positive image of Ericsson as a company.

Through the years, this image has been strengthened by activities that have been conducted in various parts of the world to demonstrate Ericsson's social responsibility in the countries in which it is active. With the support of local management, Ericsson employees in many countries have participated in different social projects. Such work not only strengthens Ericsson's positive image, but also contributes to strengthening the team spirit within the Company.

These often spontaneous expressions of solidarity are very valuable, but more is required. The realization that it is essential to coordinate and develop such activities, resulted in a comprehensive review being conducted in 1999 of Ericsson's role in society. A special group was established within Ericsson's marketing function that was charged with further developing Ericsson's activities in this area.

EMERGENCY ASSISTANCE

Experiences during 1999 confirm that humanitarian assistance in the form of communications systems in conjunction with natural catastrophes and similar situations is the area in which Ericsson can provide the greatest benefit. During the preceding year, significant efforts were made in several situations around the world.

Following the major earthquake in Turkey,

Ericsson's local company worked together with the local mobile operator Turkcell to ensure that mobile communication in the affected area continued to function. Ericsson employees in Turkey donated money, gave blood and provided other assistance during rescue efforts.

When floods struck Vietnam in November, Ericsson's local office provided emergency assistance in a number of ways. Ericsson volunteer workers, mobile phones and other resources were placed at the disposal of the authorities during the reconstruction work.

In Canada, Ericsson quickly provided a mobile base station on wheels to assist rescue personnel and the families of victims following a major air crash.

THE ERICA PRIZE

Obviously, catastrophes make headlines, but there are many countries in the world that face major challenges every day. These challenges range from helping people to find food, work or housing to teaching them to read and write.

In order to support and reward innovative efforts in this area, Ericsson founded the ERICA Award (Ericsson Internet Community Award). This award, which is also sponsored by other companies, is given to non-profit organizations that use Internet technology to help others. In 1999, a total of USD 250,000 was awarded. The prize was shared by three winners: the National Library for the Blind in Great Britain, Medical Training Worldwide in Novato, California and Kids HealthLINK in San Francisco, California.

LEADING ROLE

Ericsson will continue to provide humanitarian assistance in the form of communications systems. In this way, the Company will play a leading role in helping to reduce human suffering in conjunction with catastrophes. The message to the world is clear: Ericsson is a company that takes responsibility, that really makes a difference. It is a company which is characterized by high ethical standards and which is a respectable and responsible employer that takes a long-term view of environmental issues and has been doing so for some time. It is a company that cares. •



A1018, mobile phone for the low-price segment. Available in five different colors.



THROUGH public service activities, Ericsson companies around the world are strengthening our positive image. This is very important in a market where people increasingly let their hearts dictate business and purchasing decisions.

LARS A. STÅLBERG,
SENIOR VICE PRESIDENT,
COMMUNICATIONS

Solid growth for mobile systems and new fixed network solutions

ERICSSON'S GOAL OF BEING the leading supplier in the new telecom world demands that the Company should be able to offer a broad portfolio of network solutions and continue to focus strongly on the IP and datacom market. Achievements during 1999 show that the prospects for achieving this goal are favorable.

Ericsson's Network Operators/Service Providers business segment experienced an eventful year in 1999. A dramatic increase in traffic was noted in all telecommunications networks. Very rapid growth in mobile telephony and continued strong growth of Internet traffic combined to generate exponential growth in network traffic.

In mobile networks, the number of subscribers increased by 53 percent during the year, while traffic increased even more. More than 60 million new users were connected to the Internet during 1999. The result was that network capacity had to be increased during the year at a much faster rate than anyone had expected.

For this business segment, these trends contributed to extremely strong growth, strengthening the segment's position as Ericsson's largest, with 69 percent of net sales.

Net sales amounted to SEK 149,900 m. (123,200) in 1999, which was an increase of 22 percent. With an operating margin of 13 percent, the business segment is also Ericsson's most profitable.

ALL MOBILE STANDARDS

One of the reasons why Ericsson is the world leader in mobile systems is that Ericsson is the only company able to offer mobile systems according to all existing standards. This has applied to first- and second-generation systems and is now also true for third-generation systems.

Ericsson has long been one of the principal drivers behind the development of third-generation (3G) mobile communications. With the announcement in March 1999 of an agreement with the American company, Qualcomm, Ericsson further strengthened its position in mobile systems. As part of the agreement, Ericsson acquired Qualcomm's infrastructure operations, thus allowing the Company to expand its product portfolio with cdmaOne, previously known as CDMA IS-95.

When the ITU, at the end of 1999, announced its decision on 3G, it became clear that Ericsson will be able to supply systems for each of the three most important standards.

FAR AHEAD IN 3G

During the year, Ericsson signed the first commercial contract for a 3G system with NTT DoCoMo in Japan. Ericsson will supply radio base stations and terminals for NTT's network, which when it is taken into commercial operation next year, will be the world's first 3G network. Additional contracts were signed during the year covering commercial and test systems. Test systems for WCDMA and EDGE are now in operation with more than 15 operators, which means that Ericsson is far ahead of its main competitors in this area.

Planning for 3G systems is underway all over the world. Many operators have applied for 3G licenses, and Ericsson is discussing deliveries with most of them. However, license allocation is not expected to gain momentum until sometime in 2000, which means that the rest of the world will be somewhat behind Japan when 3G is taken into commercial operation.

GPRS AND EDGE

In anticipation of 3G systems, GPRS has attracted considerable interest during the year. This is a part of the GSM system that makes it possible to significantly increase data capacity using packet-switching techniques in GSM networks. Ericsson signed a large number of GPRS contracts during the year, thereby winning half of all business as measured by the operator's subscriber base.

Ericsson is also leading the way with respect to the 3G standard, EDGE. BellSouth and Rogers Cantel have placed orders for such systems, which are expected to be taken into operation by 2001.

MOBILE INTERNET

Technologies that allow wireless access to the Internet received considerable attention during the year. The business segment is working hard to further strengthen Ericsson's offering with respect to these technologies, which include operating systems,

BUSINESS SEGMENT NETWORK OPERATORS AND SERVICE PROVIDERS 1999

	1999	1998	Change (percent)
Orders booked, SEK b.	151.8	127.6	19
Net sales, SEK b.	149.9	123.2	22
Operating margin, SEK b.	19.6	15.3	
Operating margin, percent	13	12	
Number of employees	64,695	68,645	-6



DURING 1999 our mobile systems operations grew by more than 40 percent. We took the lead in all areas of the mobile Internet and we developed and sold systems that help our customers to migrate their existing investments forward into the new telecom world and its network architecture.

MATS DAHLIN,
EXECUTIVE VICE PRESIDENT,
BUSINESS SEGMENT
NETWORK OPERATORS
AND SERVICE PROVIDERS.

communications platforms and content. Ericsson is active on a broad front in this area.

Content is being developed in cooperation with a large number of companies and operators. Ericsson's demonstration systems for 3G in various parts of the world are a valuable asset in illustrating the opportunities provided by the new technology.

In order to further promote the development of applications for 3G and other technologies, Ericsson took an ownership stake in companies such as OZ.COM and Saraide during the year. Although these investments might seem to be somewhat peripheral to Ericsson's core business, Ericsson intends to take an active part in driving a market for the mobile Internet and to support new IP-based solutions that generate more network traffic.

NEW GENERATION IN FIXED NETWORKS

With a market share of over 30 percent, Ericsson dominates the market for mobile systems. Ericsson is also one of the leading suppliers of infrastructure for fixed communications. The AXE system, the sales of which exceed those of any other switching system, is the foundation of Ericsson's success in each of these markets. During 1999, more AXE lines were sold than ever before, bringing the total installed base up to 150 million fixed lines. This is the world's largest installed base for fixed telecommunications and a major source of future revenues. Several of Ericsson's operator customers are now beginning the work of upgrading their networks to the next-generation network architecture. This architecture will handle data and multimedia communications in fixed and wireless networks.

MIGRATION SOLUTION FOR IP

During 1999, Ericsson's ENGINE concept achieved considerable success. This is a solution for the migration of circuit-switched networks for fixed

telecommunications to a new generation of networks that will handle circuit-switched and IP/ATM-based packet-switched traffic. During 1999, BT in Great Britain, KPN in the Netherlands, Telia in Denmark and Telefónica in Spain chose ENGINE for modernizing their networks. An order from Diginet, which intends to use ENGINE for an extensive Latin American IP network with wireless access, confirms that this is a solution that also fits newly established operators.

ENGINE's success was the result of strategic marketing activities to reposition Ericsson as a supplier of networks for data and telecommunications. This was made possible by restructuring the Wireline Systems business unit to become a supplier of total solutions and services.

The positive results achieved by ENGINE are not the only examples that confirm that Ericsson is one of the key players in the IP and datacom market. In the area of IP-based voice telephony, called VoIP (Voice over IP), Ericsson is now the world leader after having signed several important contracts during 1999.

Ericsson's systematic investments in IP communication also resulted in the establishment of the Datacom and IP Services business unit in Boston in the U.S.

TOTAL SUPPLIER

The concerted effort to further strengthen Ericsson's expertise in IP technology made during the past few years was accelerated significantly during 1999. Several important acquisitions and partnerships were announced during the year. Consequently, Ericsson now has a complete product portfolio for tomorrow's data and telecom networks. Today, Ericsson has a unique capacity to offer total solutions for all types of wireless and fixed networks.

In order to strengthen Ericsson's offering to the segment's customer groups, Ericsson Services was



RBS 2401, complete picobase station for installation indoors.

established as a new business unit during the year. With a strong portfolio of services, Ericsson's position as a total supplier, systems integrator and partner is strengthened.

INVESTMENTS IN DATA CAPACITY

Several of the business segment's mature products continued to show favorable margins during 1999. Mobitex is one such product, which during 1999 underwent somewhat of a renaissance. Increased demand for wireless data communication in the U.S. more than doubled the number of subscribers of one of Ericsson's customers during the year. Ericsson received new orders for equipment for the Mobitex network, which for the time being is the country's only nation-wide network for wireless data communication.

LMDS, Ericsson's system for wireless broadband access, optimized for high-speed IP traffic, has attracted major interest in the market. Ericsson signed its first contracts and the system is now being used in trials by the American operator NEXTLINK. Ericsson is mainly targeting the enterprise market, but in the long-term LMDS can enjoy wider application, as new licenses are issued and new operators surface. The system is based on Ericsson's successful MINI-LINK system, which currently holds a 30-percent market share.

Ericsson also offers CDPD, a first packet-switched technology for TDMA that provides for services at twice the speed of existing networks. A number of important contracts were signed during the year with AT&T and others.

During 1999, ISDN made a strong comeback. Ericsson's customers have a large installed base of copper networks offering conventional narrowband services that are an excellent source of add-on sales. The strong growth in Internet traffic increased interest among operators for investing in greater capacity in the existing copper network. Ericsson products easily allow these operators to increase bandwidth at the desired rate, first with ISDN and possibly later with ADSL.

Ericsson's WDM technology substantially increases capacity in wireline transportation networks while maintaining a high transmission security level. Contracts were signed with Telefónica in Spain and U.S.-based AOL during the year.

SHRINKING RAPIDLY

The business segment's internal work during 1999 was characterized by continued restructuring of operations. This applied primarily to the Wireline Systems business unit, which during the past year sharply reduced the number of employees. During the 1990s, the number of employees in the companies currently included in this business unit was reduced by more than 50 percent and totaled some 16,000 persons at year-end 1999.

During 2000, the restructuring of Wireline

Systems will continue, and the workforce will be adapted to order volumes and new technology.

The implemented structural measures, together with satisfactory sales and new solutions, generated earnings that exceeded expectations and contributed positively to Ericsson's profitability.

The dominant share of reductions within the business segment during 1999 took place through outsourcing. For example, 2,500 employees began working for new employers when production units in Visby, Katrineholm, Östersund, Longuenesse and Madrid were transferred to external partners.

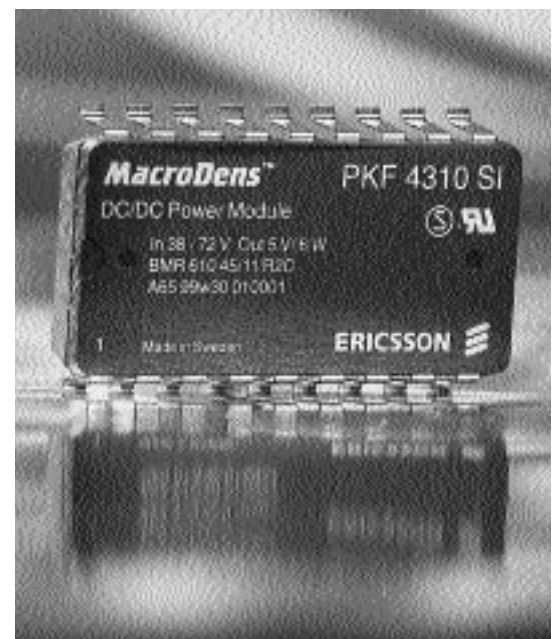
In Norrköping, 300 employees were transferred to the staffing company Proffice. A similar solution for affected personnel in the Stockholm area was arranged through the establishment of Framtidsforum, which is helping about 1,000 employees in the business segment to find new career paths. Those who have not succeeded within one year will be offered employment with Manpower, another staffing company.

INNOVATION CELLS

The New and Special Business Operations business unit includes operations that Ericsson is preparing to phase out of its product portfolio and operations that are completely new and have not yet resulted in finished commercial products.

One example is the Private Radio Systems Unit, which was sold in the beginning of 2000 to the U.S. company, Com-Net Critical Communications.

The business unit also includes units of a purely entrepreneurial character, often organized as innovation cells, which are groups formed around ideas that are considered to be worth developing. For instance, E-box, Ericsson's product for remotely controlling household equipment via the telephone network, was developed by such a group. •



MacroDens, power module for supplying current to PC circuit cards and similar components.

Components

ERICSSON COMPONENTS (now Ericsson Microelectronics) reported net sales of SEK 8,600 m. (6,700) in 1999. Operations consist of the Energy Systems, Microelectronics and Electronic Distribution business units.

Energy Systems had an extremely good year. One of the high points was a contract with Telefónica del Peru that gave Energy Systems total responsibility for supplying power to their some 2,000 customer installations. Through a general agreement with Siemens, Energy Systems became a strategic supplier to the German manufacturer of telecom systems. Ericsson strengthened its position as a world leader in power modules, delivering its 10 millionth module from the PKF family, a unique record in the industry.

FOCUS ON MICROELECTRONICS

Microelectronics showed very strong growth during the year. Thanks to an increased focus on applications for broadband and mobile telephony, large volumes of components could be delivered, particularly in mobile telephony.

Significant investments were made during the year to increase manufacturing capacity for integrated circuits in Kista. An important partnership agreement was signed with Chartered Semiconductor for joint development and production of integrated circuits for next-generation radio technology.

Demand for power transistors for radio base stations continued to show strong growth, both from internal and external customers.

Continued upgrading to digital lines, a trend that is driven by increasing Internet use, resulted in a doubling of deliveries of line circuits for network terminals installed as customer premises equipment.

Volume production of radio modules for the Bluetooth standard was started during the year. Demand for these chips is strong among various application developers both within Ericsson and externally. Microelectronics is currently the leader in developing and supplying Bluetooth modules.

The Electronic Distribution business unit continued to grow geographically and in terms of sales. New offices were opened in Germany and the U.K. In addition to successful projects for customers, such as Electrolux and Lego, a new generation of Ericsson's Internet catalogue was developed, enabling customers to pay for purchases with a credit card.

ORGANIZATIONAL CHANGE

Effective February 1, 2000, Microelectronics' activities will be carried out at Ericsson Microelectronics AB and its foreign operations. An agreement was reached in January covering the sale of the energy system operations to Emerson Electric Co. in the U.S. Microelectronics now also includes power modules. •

Microwave Systems

ERICSSON MICROWAVE SYSTEMS can look back on a period of rapid growth, which is expected to continue with the new business opportunities provided by the company's two main product areas: defense systems and microwave communications. The company's sales amounted to SEK 7,325 m.

Continued rapid growth of traffic in fixed and wireless networks serves to promote the company's primary civil product, which is the MINI-LINK microwave link. During 1999, more than 60,000 such units were produced. Over the past several years, Ericsson's MINI-LINK has dominated the world market for microwave links.

NEW MARKET FOR MINI-LINK

A new application area was added with the introduction of MINI-LINK BAS in the beginning of 1999. This is a system for broadband access via a microwave link. The market potential is expected to be substantial.

Another important part of civil operations at Ericsson Microwave Systems is the development of base stations for WCDMA. Ericsson received its first WCDMA contract from NTT DoCoMo in Japan at the beginning of the year.



Erieye, system for airborne surveillance. Shown mounted on the Brazilian Embraer EMB145.

FAVORABLE TREND FOR DEFENSE SYSTEMS

Ericsson's focus in defense systems is on sensors and information technology. This is a direction that is favored by trends in a market that is generally characterized by increasing demands for advanced technology systems. Sensors, such as control and communications systems, are an area of top priority for many countries' military forces.

During 1999, Ericsson Microwave Systems received an additional foreign contract for the airborne surveillance radar, Erieye, from the Greek Air Force, which ordered four such systems. The Swedish Armed Forces, in which Erieye is already operational, commissioned Ericsson to continue developing the next generation of airborne radar. The so-called AESA technology, on which this radar is based, represents a major advance in radar technology.

The Arthur artillery localization radar system was delivered to the Swedish and Norwegian defense forces during 1999. Additional contracts for these systems were signed with two other countries during the year. The South African order of the JAS 28 Gripen aircraft was another important event for Ericsson Microwave Systems and the associated company, Ericsson SAAB Avionics. •

HPR-08, a small FM radio that can be connected to a mobile phone



A year of innovative concepts



PROFITS WERE a disappointment in 1999, but an upturn was noted in the fourth quarter. With our new product portfolio we will recapture our market position and can hope to improve margins.

JOHAN SIBERG, EXECUTIVE VICE PRESIDENT, BUSINESS SEGMENT CONSUMER PRODUCTS

NEW HEAD of Business Segment Consumer Products as of February 15, 2000, is Jan Wäreby, previously head of Market Area Europe, Middle East and Africa.

NEVER BEFORE HAS Ericsson launched so many new products for the consumer market as it did during 1999. Some 20 new mobile phones were introduced, of which several were based on an entirely new generation of technical platforms. However, delay in the process of increasing volume production of the new phones, caused products in the lower price segments to dominate sales during the year, thus sharply reducing profitability for the business segment.

Ericsson's business segment Consumer Products is still mainly focused on the sales of mobile phones. During 1999, however, a special business unit for Home Communications was established that initially will offer consumers cordless phones for the home and Ericsson's PipeRider, a modem for IP communication via the cable-TV network.

Net sales for the business segment amounted to SEK 46,400 m. in 1999, an increase of 3 percent compared with the preceding year. The segment thus accounted for 21 percent of Ericsson's total net sales.

In terms of volume, 1999 was a record year, with 31 million phones sold compared with 24 million in 1998.

Because the low-price segment accounted for a larger share of sales, the sales increase in SEK was not as strong. This, plus the high costs for technical renewal of the product portfolio incurred during the year, resulted in an operating margin for the business segment of only 1 percent compared with 7 percent in 1998. However, a clear trend reversal was noted in the fourth quarter, during which sales of the T28 and other new models contributed positively to profitability.

The consumer market is different in many

respects from Ericsson's other markets. In particular, the brand plays an essential role. During 1999, Ericsson continued to invest heavily in various activities to strengthen the Company's brand.

Although global advertising campaigns, sponsorship events and intensive TV advertising are costly, these measures are now beginning to produce results. In the prominent international study of brand awareness, conducted over the past ten years by the distinguished research firm Interbrand, Ericsson ranked 17th in the world in 1999. This ranking provided a strong incentive for continuing systematic work to build the Ericsson brand.

A strong brand is extremely important for Ericsson at this point in time. Advances in technology are making it increasingly easy for manufacturers in China and Southeast Asia to begin competing with Ericsson, Motorola and Nokia, the current market leaders in mobile phones.

SEGMENTED MARKET

To provide a foundation for future product development, Ericsson is constantly conducting careful studies of the market and consumers. At the Company's Consumer Lab in Lund, Sweden, mobile phone users' behavior and preferences are analyzed in detail. These market studies and analyses show that there are different types of users.

Based on these observations, the product portfolio is now being adapted to the customer segments that Ericsson has chosen to target. For younger users and users who often purchase a mobile phone with prepaid calling time, the A1018 and T10 phones were launched during 1999. The former is a true volume product, which accounted for a very large proportion of Ericsson's sales during the year.

For more professional users in job categories in

BUSINESS SEGMENT CONSUMER PRODUCTS

BUSINESS SEGMENT CONSUMER PRODUCTS 1999

	1999	1998	Change (percent)
Orders booked, SEK b.	47.6	44.9	6
Net sales, SEK b.	46.4	45.2	3
Operating margin, SEK b.	0.3	3.2	
Operating margin, percent	1	7	
Number of employees	16,446	14,193	16

which the phone is subjected to rough treatment, the R250 PRO was launched as the world's first water-, dust- and shockproof mobile phone. This phone is designed for GSM PRO, which means that it can also be used as a private radio terminal.

The T28 and T28 WORLD models are phones that target consumers who want high quality and are prepared to pay for intelligent functions. Ericsson's MC218 was the first WAP product on the market. It is a handheld computer, which via a built-in infrared port for communication with a mobile phone, allows wireless access to the Internet and e-mail. It also includes software for word processing, image transmission and other functions.

For the demanding Japanese market, Ericsson produced a variation on the T28 for NTT DoCoMo. This phone, which was sold in limited test quantities, was very well received in the market.

COMPONENT SHORTAGES

The telephone that was most in the spotlight during 1999 was the T28. When it was first shown in January, it generated considerable attention due to its extremely light weight, modern design and advanced functions. The market's reception was very positive, and expectations were high that the T28 would sell extremely well.

It was not until the autumn, however, that the tremendous demand for the T28 could be satisfied by greater volumes. This was due to component shortages that affected the entire industry, as well as delays in trimming in production. The T28 is based on a completely new technical platform, which includes a new processor, a new radio subsystem and an innovative new battery technology that Ericsson was first to bring to market.

During the latter part of the year, the situation improved, and production of the T28 is gradually being stepped up. The technical difficulties in the transition to the new technical platform have been overcome, suggesting that forthcoming models based on the same platform will be significantly easier to industrialize.

INCREASED CAPACITY

To meet sharply increasing volumes, Ericsson significantly increased its production capacity during 1999. A new production plant in Malaysia was taken into operation, and in China a second joint-venture com-

pany was started for telephone production. Expansion of production in Brazil continued.

In addition to expanding its own production capacity, the business segment continued to outsource production to external partners. Together with Ericsson's own production increases, this means that the Company is well prepared to meet the increase in volume expected in 2000.

CREATIVE THINKING

Several new accessories for Ericsson mobile phones were launched during the year. The accessories market is increasingly important, since it often offers greater margins than volume phone sales. Several of the new accessories were entirely new innovations – and the result of creative thinking on the part of the Company's product developers.

Chatboard is a small keyboard which is connected to the mobile phone to facilitate entry of SMS messages and which can even be used to send e-mail. An FM radio that also functions as a hands-free headset was another popular new product, as was the MP3 player shown at Telecom 99 in Geneva.

During the autumn, the first Bluetooth product, a cordless handsfree headset, was also shown. Bluetooth is a technology for wireless transmission over short distances that was developed by Ericsson but released to the public domain. Development is being continued by Ericsson, 3Com, IBM, Intel, Lucent, Motorola, Nokia, and Toshiba. Close to 2,000 companies have adopted the technology and are developing Bluetooth products.

Ericsson Components is one of the manufacturers that is already producing Bluetooth chips for integration into these future products.

IMPORTANT PARTNERSHIPS

The partnership between Ericsson and Microsoft that was announced in December will have a significant impact on the business segment's continued product development. With this partnership, that relates to the mobile Internet, Ericsson gains access to Microsoft's Mobile Explorer for its more advanced telephones.

The agreement with Microsoft does not affect collaboration through the Symbian consortium, in which Ericsson is working with Matsushita, Motorola, Nokia and Psion to further refine the EPOC operating system for wireless terminals. During 1999, Ericsson introduced the EPOC-based MC218, as well as the R380, which will begin to be sold in full scale during 2000.

The partnership for the networked home of the future, which was announced by Ericsson and Electrolux during the autumn, is based in large part on forthcoming products from the business segment Consumer Products.



HS210, cordless display phone for home communications. Provides direct access to the Internet and e-mail using Bluetooth technology and a small base station.



T10, dual-band phone with vibrating alert. Available in five different colors.

Focus on IP-telephony services and mobile enterprise solutions

BUSINESS IS DRIVING the development of tomorrow's multimedia communications. Business users already account for most broadband traffic and are the driving force behind new Internet and intranet applications, such as e-commerce and e-mail.

Companies are becoming more aware that their customers are increasingly mobile. The mobile Internet will allow them to create completely new channels for communicating with customers and offering personalized services. Increasingly, employees are also being given access to network services and information, even when out of the office.

These trends are the primary drivers in developing new applications that will generate most of the traffic and content in next-generation mobile networks.

INVESTING IN GROWTH

Ericsson's business segment Enterprise Solutions is of great strategic importance in responding to these trends.

The business segment's sales for comparable units increased 19 percent in 1999 to SEK 17,300 m., which corresponded to 8 percent of Ericsson's total sales. Several different improvement programs during the year contributed actively to improving earnings, which nonetheless remain at a low level, due to continued heavy investment in future growth areas. The number of employees increased as a result of company acquisitions and organic growth in new areas such as business consulting, while the workforce was reduced by more than 20 percent in traditional operations, primarily business switches. The business segment had 9,600 employees at year-end.

To strengthen Ericsson's position as a supplier of tomorrow's business systems, while improving the segment's profitability, operations were consolidated in 1999.

In 2000, continued emphasis will be put on the development of sales channels, the launching of IP switches and on increased growth for the business consulting operations that provides business solutions for the Internet.

Development work was refocused on IP applications and mobile Internet solutions. Investments were increased in developing tomorrow's wireless business networks, an area where Ericsson will offer high-capacity networks for data transmission based on the HiperLAN standard.

LARGE NUMBER OF CONSULTANTS

Another important component in the segment's focus on the future are efforts to establish and expand business consulting activities. The goal is that Ericsson should be the leader in providing companies with business solutions and services for the mobile Internet. During 1999, the Ericsson Business Consulting business unit was formed through a merger of internal consulting and service operations from parts of Ericsson Data, which was recently dissolved. Several new business consultants were also recruited.

Approximately 2,700 of the business unit's 4,000 employees work as business consultants, IT and telecom consultants and WAP consultants in 36 markets. Other employees of the business segment work with the operations and maintenance of Ericsson's IT activities.

In business solutions for the mobile Internet, Ericsson is focusing on the banking and finance, transport, travel, media and entertainment segments. These efforts, plus Ericsson's WAP expertise, have strengthened customer confidence in Ericsson as a partner in developing new business concepts combined with new systems solutions. Bank transactions over the Internet, WAP solutions for wireless



A MULTI-YEAR contract with the Metropolitan Police shows that Ericsson is a long-term strategic partner for companies who want assistance with operating and developing their operations and their communications solutions in a world that will be characterized by mobility and the Internet.

HAIJO PIETERSMA,
EXECUTIVE VICE PRESIDENT,
BUSINESS SEGMENT
ENTERPRISE SOLUTIONS



WebSwitch 2000, IP-based business switch for small companies. Developed by EricssonWebCom Inc., formerly TouchWave Inc.

**BUSINESS SEGMENT
ENTERPRISE SOLUTIONS 1999**

	1999	1998	Change (percent)
Orders booked, SEK b.	18.0	14.6	23
Net sales, SEK b.	17.3	14.6	19
Operating margin, SEK b.	0.1	0.1	
Operating margin, percent	0	0	
Number of employees	9,615	9,966	-4

banking services and wireless e-commerce are examples of concepts developed during the year.

As companies focus more on core operations, they are outsourcing operation, maintenance and development of their communication networks to external partners. Ericsson Business Consulting can offer customers an opportunity to migrate existing systems to new mobile solutions. A five-year contract, signed in 1999, to maintain and supply Britain's Metropolitan Police network marked a breakthrough in this area.

IP TRAFFIC IN THE SWITCH

The acquisition in May 1999 of the U.S. company, TouchWave Inc., gave Enterprise Solutions access to WebSwitch2000, which is an IP-based switch that can handle conventional analog and IP-based telephony for smaller companies.

Products from this company, which was renamed Ericsson WebCom, will play an important role in the IP product portfolio, as well as for Ericsson's continued expansion in the U.S.

WebSwitch2000 received several prestigious awards during the year at telecom shows in the U.S. WebCom has already sold more than 1,000 switches to customers in the U.S. An important aspect of Ericsson's U.S. product strategy is expansion of indirect sales channels for the Company's new IP-based products.

GOOD YEAR FOR BUSINESS SWITCHES

The business segment is not only developing in new areas of operations. Sales of Ericsson's business switches also increased in 1999, with more lines sold than ever of MD110 (for large) and Business-Phone (for small and mid-size companies). Growth in Europe, especially in the U.K. and Italy, was particularly strong.

Ericsson sells call-center solutions that support customer service functions. Ericsson is the leader in this segment, particularly in Europe. During 1999, Ericsson launched a new generation of server-based call centers.

With its large installed base in business communications – 45,000 large companies have purchased MD110 – Ericsson's business potential for tomorrow's IP-based solutions is substantial.



R320, WAP telephone with built-in IR modem and calendar that can be synchronized with PC or PDA. Weighs less than 100 grams.

Meanwhile, rationalization continues in traditional operations involving business switches. Two of the segment's research and development centers were discontinued during the year, as were two product areas peripheral to core operations. Plants in Austria and China were transferred to external partners through outsourcing.

Restructuring will continue in 2000 with strong focus on continued expansion of the distributor network and on reducing costs for direct sales. Central to these efforts is an emphasis on profitability and cost reductions and the need to increase Ericsson's presence in the market segment for small and mid-size companies.

Strong year thanks to growth in mobile systems and fixed networks



ERICSSON'S SUCCESSFUL YEAR IN GLOBAL BUSINESS during 1999 was characterized by two strong market trends: continued exceptionally strong growth in the world's mobile phone systems and increased investments in fixed communication networks to satisfy requirements for increased capacity due to similarly exceptionally strong growth in the number of Internet subscribers. A review of important contracts announced during the year confirms these trends. As always with Ericsson, it must be emphasized that 70 percent of the Company's sales represent ongoing sales to existing customers that are not registered as new sales in the list below.



ERICSSON strengthened its overall position in Europe during 1999, where growth exceeded the market average and was bolstered significantly by the continuing exceptionally strong trend for mobile telephony in the region.

JAN WÄREBY,
EXECUTIVE VICE PRESIDENT,
EUROPE, MIDDLE EAST
AND AFRICA

EFFECTIVE February 15, Ragnar Bäck succeeded Jan Wäreby as manager of the new Western Europe market area. The manager of the new Eastern Europe, Middle East and Africa market area had not been appointed at the time of printing.

EUROPE, MIDDLE EAST AND AFRICA

Ericsson's sales in this market area increased 18 percent during the year, but there were large variations between individual markets. The most rapid growth in relative terms was in Belgium (+147 percent), but Spain was the market that increased most in real terms, from SEK 7.0 to 13.0 b.

Turkey (+117 percent) and the U.K. (+15 percent) were two other markets showing strong sales growth. For the first time, Turkey became one of Ericsson's ten largest markets. In central and eastern Europe, the trend was also positive in 1999, while a downturn was noted in Russia (-55 percent). Sales also declined in Denmark (-40 percent), Finland (-16 percent) and Norway (-12 percent).

The trend for mobile telephony is driving the positive development of Ericsson's business in the market area. Several large networks were added during the year, while at the same time the growth in the number of subscribers was high in existing networks, which forced investment in increased capacity.

As a result of development during the year, Ericsson strengthened its overall position in the area and grew faster than the market.

Important contracts announced in 1999:

CZECH REPUBLIC

Cesky Mobil – Turnkey GSM/GPRS system valued at SEK 1,630 m.

DENMARK

Telia Danmark – Multiservice network for voice and data

Telia Danmark – GSM Mobile Centre, new mobile solution for business

ESTONIA

Eesti Mobiltelefon AS – Positioning system for GSM

FINLAND

Telephone Company of Vaasa Province – GSM 1800 system

GERMANY

o.tel.o – Turnkey WDM system (owned since April by Mannesmann)
Siemens – OEM supplier of power systems, SEK 1,650 m.

GREECE

Greek Air Force – Erieye airborne surveillance radar, four systems, valued at SEK 4,900 m.

ICELAND

Islandssimi hf – Multiservice voice and data network with IP over ATM

ITALY

Telespazio SpA – Infrastructure for broadband access via satellite for the Astrolink system.

MOROCCO

Medi Telecom – Turnkey GSM network valued at SEK 1,150 m.

NETHERLANDS

Telfort – GPRS system and GSM expansion valued at more than SEK 1,000 m.

WISH – Infrastructure for Internet access valued at SEK 100 m.

KPN International Network Services – ENGINE solution for integrated data and telecom

WISH – Payment system for electronic commerce based on Ericsson's Jalda technology

KPN Telecom – AXE Transgate switches

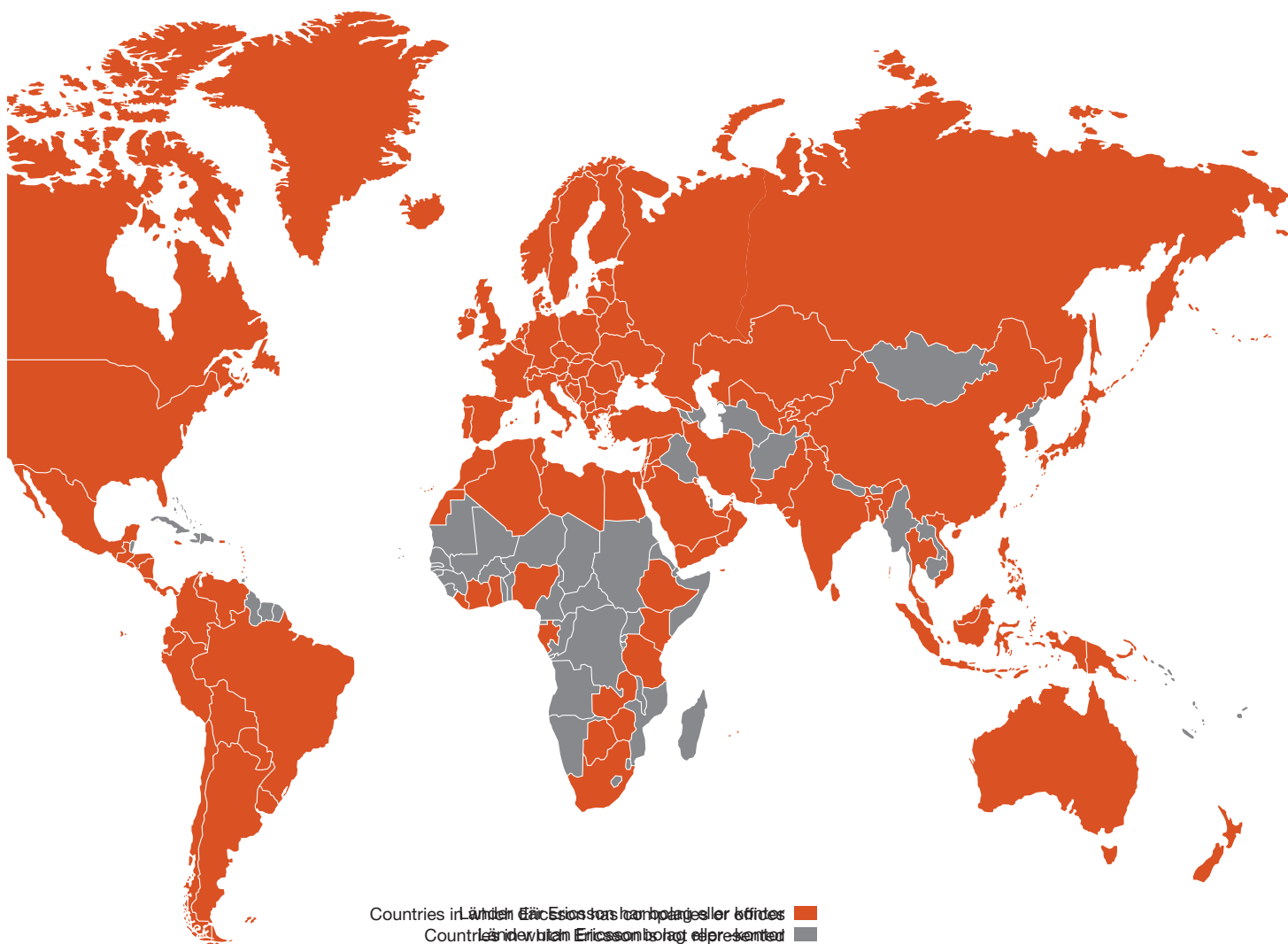
NORWAY

Telenor Mobil – Introduction of wireless e-commerce solution developed together with Ericsson, movie tickets via mobile phones

Telenor Mobil – Development of WAP services

POLAND

Polska Telefonía Cyfrowa – GSM network expansion valued at more than SEK 660 m.



Ericsson has had an international focus since the earliest days of its history. Today, the company is one of the most geographically diversified enterprises in the world. With operations in more than 140 countries, Ericsson is unique in its industry and is one of the companies that is best equipped to assist increasingly more global companies.

Ericsson has companies or offices in the following countries

Europe, Middle East and Africa	Georgia	Netherlands	Ukraine	Pakistan	Latin America
Austria	Germany	Nigeria	United Arab Emirates	Philippines	Argentina
Albania	Ghana	Norway	United Kingdom	Singapore	Bolivia
Algeria	Greece	Oman	Uzbekistan	Republic of Korea	Brazil
Bahrain	Hungary	Poland	Yemen	Sri Lanka	Chile
Belarus	Iran	Portugal	Yugoslavia	Taiwan	Colombia
Belgium	Ireland	Romania	Zimbabwe	Thailand	Costa Rica
Bosnia-Herzegovina	Iceland	Russian Federation		Vietnam	Ecuador
Botswana	Israel	Saudi Arabia	Asia and Oceania		El Salvador
Bulgaria	Italy	Serbia	Australia	North America	Guatemala
Croatia	Jordan	Slovakia	Bangladesh	Canada	Honduras
Cyprus	Kazakhstan	Slovenia	China	United States	Jamaica
Czech Republic	Kyrgyzstan	South Africa	Hong Kong & Macao		Mexico
Denmark	Latvia	Spain	India		Netherlands Antilles
Egypt	Lebanon	Switzerland	Indonesia		Nicaragua
Estonia	Libya	Sweden	Japan		Panama
Ethiopia	Lithuania	Syria	Malaysia		Paraguay
Finland	Luxembourg	Tajikistan	New Guinea		Peru
France	Macedonia	Tanzania	New Zealand		Puerto Rico
Gabon	Malta	Tunisia			Uruguay
	Moldavia	Turkey			Venezuela
	Morocco				



IN THE U.S.>, people are talking about the Mobile Millennium in view of the expected development for mobile data communications. During 1999, the number of mobile telephone subscribers skyrocketed, with an increase of nearly 50 percent. At the same time, the price of Internet connections dropped dramatically. Together, these two trends are driving the market towards wireless Internet access.

BO DIMERT,
EXECUTIVE VICE PRESIDENT,
NORTH AMERICA

Netia Holdings SA – Nationwide network for IP services

PORTUGAL

Interoute – Network for IP telephony

ROMANIA

Rom Telecom – Breakthrough AXE order for fixed networks valued at SEK 830 m.

SLOVENIA

Mobitel – GSM network expansions valued at SEK 1,200 m.

SOUTH AFRICA

MTN – World's first GSM Pro network, including terminals, valued at SEK 210 m.

SPAIN

Interoute Telecomunicaciones SA – Nationwide system for IP telephony valued at SEK 90 m.

Telefónica – Cenaxis, Ericsson's new network-based call-center solution, valued at SEK 83 m.

Telefónica – ENGINE solution for integrated data and voice communications

SWEDEN

Telia Mobile – Introduction of a new platform for real-time data communication via GSM

TURKEY

Turkcell – Expansion of GSM network valued at SEK 8,510 m.

UKRAINE

Digital Cellular Communications – TDMA expansion valued at SEK 250 m.

Ukrtelecom – SDH network valued at SEK 255 m.

UNITED ARAB EMIRATES

Etisalat Telecommunications – Access network based on ADSL

UNITED KINGDOM

WCDMA system for testing by operators

One2One – GPRS contract as part of major infrastructure expansion valued at SEK 2,560 m.

Vodafone – Joint development of 3G and WCDMA

Metropolitan Police Service – Five-year management and development contract for all telecom services valued at SEK 990 m.

One2One – Test system for GSM on the Net with IP-based wireless multimedia services

Virgin Radio – Joint development and testing of radio broadcasting via 3G mobile networks

Vodafone Airtouch Plc – Infrastructure for GPRS

BT – ENGINE solution featuring AXE/AXD301 hybrid switches for multiservice network valued at SEK 1,500 m.



NORTH AMERICA

The trend for Ericsson in the North American market area, which includes Canada and the United States, was very positive in 1999. The introduction of new and simpler calling charges resulted in strong growth for mobile telephony in the U.S. The number of mobile phone subscribers increased by nearly 50 percent during the year. As a result, sales and order booking for mobile systems were extremely strong. Ericsson's total sales in the U.S. increased 39 percent to nearly SEK 24 b., thereby re-establishing the U.S. as Ericsson's largest single market. Sales in Canada increased by 2 percent. For the market area as a whole, the sales increase amounted to a full 36 percent in 1999. Another

notable trend in this market during the year was the continued consolidation among network operators, Internet companies and companies in the media industry.

Important contracts announced in 1999:

CANADA

Cescom – Five-year contract for Voice over IP valued at SEK 118 M

Rogers Cantel – Development of third-generation mobile network valued at SEK 2,800 m.

BridgePoint Enterprises – Solutions for IP telephony and data networks valued at SEK 530 m.

UNITED STATES

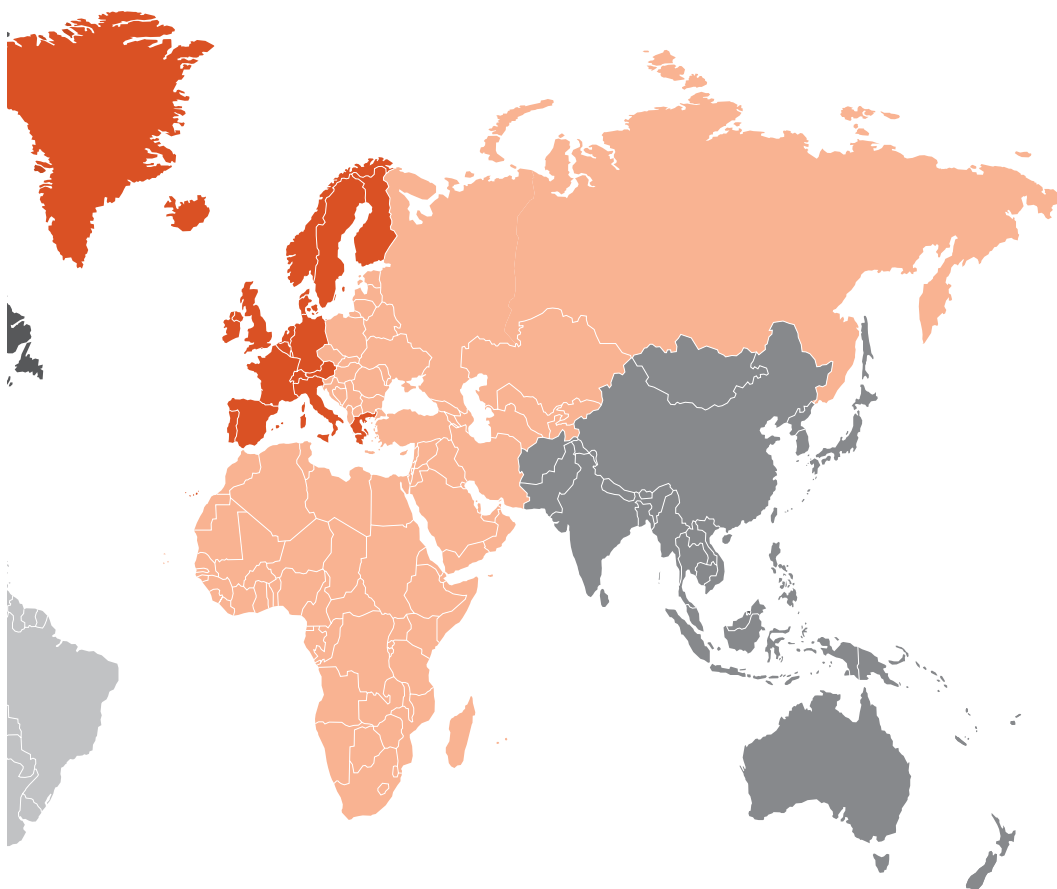
BellSouth Cellular Corporation – Infrastructure for 14 U.S. markets valued at SEK 6,300 m.

America Online (AOL) – ERION Networker and WDM infrastructure
SBC Wireless – Jambala open service platform for TDMA networks in Chicago and Springfield, Illinois

NEXLINK – Field trials of point-to-point microwave systems (MINI-LINK BAS)

Sprint PCS – Seven-year contract for expansion of cdmaOne network
Omnipoint Communications – Installation and first U.S. field trials of GPRS

Tritel Communications – Contract for TDMA (IS-136) infrastructure valued at SEK 2,310 m.



Market Area Western Europe ■ Market Area North America ■
 Market Area Eastern Europe, Middle East and Africa ■ Market Area Latin America ■
 Market Area Asia Pacific ■

In conjunction with the release of its year-end financial report on 1999 operations, Ericsson announced that it is reorganizing the Europe, Africa and Middle East market area, dividing it into two areas: Western Europe market area, which comprises the EU countries plus Norway and Switzerland, and the Eastern Europe, Middle East and Africa market area.



LATIN AMERICA

Thanks to very strong growth of sales in Mexico (+74 percent) and continued solid development in Brazil – despite the strong devaluation at the beginning of the year – the market area as a whole showed favorable growth during 1999 (+19 percent).

The development in Central America was also positive during the year.

Brazil is Ericsson's single largest market in the area and Ericsson's fourth largest market globally, with sales in 1999 of slightly more than SEK 14 b. (+20 percent).

Mobile systems and phones account for the majority of growth in the area. Nonetheless, investments continue to be made in expansions of the fixed telephone network, particularly in Brazil and Mexico.

Important contracts announced in 1999:

ARGENTINA

Telecom and Telefónica – TDMA networks valued at SEK 3,300 m.

BRAZIL

TIM (Telecom Italia Mobile) – Expansion of TDMA networks.

TESS (Telia) – Expansion of TDMA networks.

Vesper S.A. (previously Mirror S.A.) – cdmaOne network for wireless access to the fixed network.

CHILE

CTC Startel (Telefónica) – TDMA network expansion.

Entel PCS – GSM expansion

MEXICO

Telcel – Prepaid services for Telcel's entire TDMA network

VENEZUELA

Movinet – Expansion of TDMA network for 3G valued at SEK 1,700 m.

SEVERAL COUNTRIES

Dignet Americas – Broadband network for wireless access covering several Latin American countries valued at SEK 2,500 m.

ERICSSON'S MARKET

share for mobile telephony in Latin America exceeds 40 percent, but the Company also has a leading position in fixed telecommunications.

During the more than 100 years that Ericsson has been active in this market, a strong customer base has been established in virtually every country.

BENGT FORSSBERG,
EXECUTIVE VICE PRESIDENT,
LATIN AMERICA

ASIA PACIFIC

After the deep economic crisis in 1998, conditions stabilized in several countries during 1999. This resulted in modest, but nonetheless positive growth (+5 percent) of Ericsson's sales in the market area as a whole. There were significant differences between countries, however.

China, which was Ericsson's largest market in 1998, declined sharply. As a result of the restructuring currently in progress among Chinese operators and changes in market regulation, market activity tapered off significantly. For Ericsson, the result was a 16-percent decline in sales in both infrastructure and mobile phones.

In Japan, on the other hand, Ericsson's sales increased by 78 percent, while sales in India increased by 82 percent. Increases were also noted in Australia (+24 percent) and New Zealand (+22 percent), while sales declines in Malaysia (-34 percent), Singapore (-29 percent) and in the Philippines (-17 percent) reflect continuing economic uncertainty in these countries.

Important contracts announced in 1999:

AUSTRALIA

Enermet – GSM modules for reading energy consumption at consumer sites, SEK 160 m.

Queensland Ambulance – Mobitex system, SEK 45 m.

PHILIPPINES

Globe Telecom – GSM system valued at SEK 355 m.

JAPAN

Japanese Digital Phone Corp. – Expansion of PDC system valued at SEK 1,470 m.

Japanese Digital TuKa Group – Three-year general agreement for continued expansion and upgrading valued at SEK 1,700 m.

CHINA

Inner Mongolia Post and Telecom Administration – GSM system valued at SEK 345 m.

Liaoning Post and Telecommunications Administration – Expansion of GSM network valued at SEK 1,260 m.

China Telecom (Hong Kong) Ltd. – GSM expansion in Guandong valued at SEK 2,416 m.

SmarTone Mobile Communications Ltd, Hong Kong – WCDMA test system and GPRS infrastructure

Guandong Mobile Communications Co. Ltd. – GSM expansion valued at SEK 650 m.

China Unicom – GSM expansion in six provinces valued at more than SEK 1,000 m.

Shandong MCC – Expansion of GSM network valued at SEK 840 m.

Sichuan Mobile Communications Co. – GSM expansion valued at SEK 835 m.

SmarTone Mobile Communications Ltd., Hong Kong – WAP system

SRI LANKA

Mobitel – Digitization of AMPS network valued at SEK 160 m.

TAIWAN

Chungwa Telecom of Taiwan – Upgrading of AMPS network, SEK 390 m.

Far EasTone Communications – GPRS system

THAILAND

Advanced Info Service Public Company Ltd. – Expansion of GSM network valued at SEK 450 m. •



THE YEAR was characterized by very strong growth in Japan and India, while sales in China declined. The decline in China was due to a weakening of the market, which Ericsson considers to be temporary, and by restructuring among Chinese operators. An upturn was noted during the fourth quarter.

KJELL SÖRME,
EXECUTIVE VICE PRESIDENT,
ASIA PACIFIC
(TOOK OVER THE POSITION
DURING THE YEAR)

NET SALES PER MARKET AREAS (SEK m.)

	1999	1998	Percent change
Europe, Middle East and Africa *)	115,065	97,456	18.1
North America	25,175	18,560	35.6
Latin America	30,263	25,537	18.5
Asia Pacific	44,900	42,885	4.7
	215,403	184,438	16.8
*) of which Sweden	7,551	8,509	-11.3
*) of which EU	80,345	71,094	13.0

1998 figures restated according to the Market Area organization that was introduced on January 1, 1999.

1999 HAS BEEN characterized by continued success for the U.S. economy. During the year, Asia recovered strongly after the crisis 1997–1998 and Europe showed gradual signs of recovery. In Latin America the Brazilian economy strengthened some after the substantial devaluation in the beginning of the year.

Ericsson's liquidity increased during the year with SEK 10.8 b. and net, after deduction of short-term interest-bearing liabilities, with SEK 5.4 b. This in spite of a number of strategic investments, including the acquisitions of Torrent Networking Technologies Inc. (U.S.), Qualcomm Infrastructure Division (U.S.), TouchWave Inc. (U.S.), Telebit A/S (Denmark) and minority shares in Juniper (U.S.), Saraïde (U.S.) and OZ.COM (Iceland). These investments of approximately SEK 5.3 b. were financed primarily through a number of bond issues amounting to SEK 12.9 b. The bond issues in May, of SEK 10 b., were the largest ever by a Nordic corporation. In addition, a number of liquidity strengthening activities were implemented, such as the establishment of a pan-European securitization program, which was utilized to SEK 850 m., and factoring. During the year, all short- and long-term borrowing programs and long-term credit facilities have been increased and updated.

FINANCIAL RISKS

Ericsson has a policy for managing financial risks established by the Board of Directors. Responsibility for identifying and hedging financial risks arising in the Group's operations rests with the individual Ericsson companies. Risks are normally hedged through Ericsson's internal bank, Ericsson Treasury Services, which in turn manages the Group exposure externally. The major part of the risks assumed by the internal bank in this way are hedged in the financial market, but the bank also has the right to take positions in the financial market within the framework of the policy established by the Board of Directors. The risk mandate which amounts to SEK 200 m., is based on a 5 percent change in each open foreign exchange position and a change of one percentage point in interest rates. Ericsson Treasury Services operates via treasury centers in Stockholm, Dublin, Singapore and Dallas.

Ericsson hedges financial risks by balancing assets and liabilities with respect to currencies and interest-rate periods and by using derivative instruments.

CURRENCY RISKS

FINANCIAL EXPOSURE

With exports from Sweden amounting to approximately SEK 131 b. (SEK 110 b. in 1998) and sales in Sweden of SEK 8 b. (SEK 9 b. in 1998), Ericsson is relatively heavily dependent on the development of exchange rates between the Swedish currency and foreign currencies, as well as on economic conditions in Sweden. As opposed to the transaction exposure, and to some extent translation exposure, Ericsson does not have a policy to hedge the financial exposure.

TRANSACTION EXPOSURE

To limit currency risks as much as possible in conjunction with import and export activities, purchases and sales in foreign currencies are hedged by currency forward contracts in cases that involve firm commitments with customers and suppliers. In addition, estimated purchases and sales are hedged for periods of up to 12 months, based on assessments of stability in volumes, pricing and other factors within Ericsson's business segments. Outstanding bids are also hedged, normally with currency options. Hedge periods agree with the timing of the anticipated future cash flows. The foreign exchange exposure is concentrated mainly in the large production companies, notably the Swedish units, since the foreign subsidiaries are invoiced in their local currencies. Table 1 shows the distribution of commercial net cash flows of major currencies for Ericsson's companies in Sweden.

TABLE 1 – NET CASH FLOWS OF CURRENCIES TO AND FROM SWEDEN (PERCENT)

Specification of currencies with net flows exceeding SEK 0.5 billion		
Currency	1999	1998
AUD	6	4
CHF	4	3
EUR	42	35
HKD	2	8
GBP	4	5
JPY	7	4
USD	37	34
Other	-2	7
	100	100

The table is based on statistical data pertaining to flows to and from Ericsson's companies in Sweden.

The net currency exposure for the Swedish companies is mainly in USD and Euro, with balance between the two respective currencies. This means that Ericsson has limited exposure to an isolated EUR/USD change. With the exception of a few less important currencies, Ericsson is mainly exposed to the development of the Swedish krona.

Based on the net currency flows to and from the Swedish companies, a lasting change of the Swedish krona against USD and Euro of 10 percent would have an effect on the consolidated net income of approximately SEK 1.3 b. and SEK 1.5 b. respectively. The net income effect for 1999 of changes in foreign currency exchange rates compared to last year's rates was approximately SEK 0.4 b.

TABLE 2 – NET CURRENCY FORWARDS BALANCES AS OF DECEMBER 31, 1999, PERTAINING TO ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND FUTURE CASH FLOWS, SEK BILLIONS

Currency	Sell (+) Buy (-)
AUD	0.2
CHF	1.5
DKK	0.2
EUR	32.6
GBP	6.6
GRD	1.2
HKD	-0.2
JPY	-0.6
NOK	-0.2
USD	34.2
Other currencies	0.7
	<u>76.2</u>

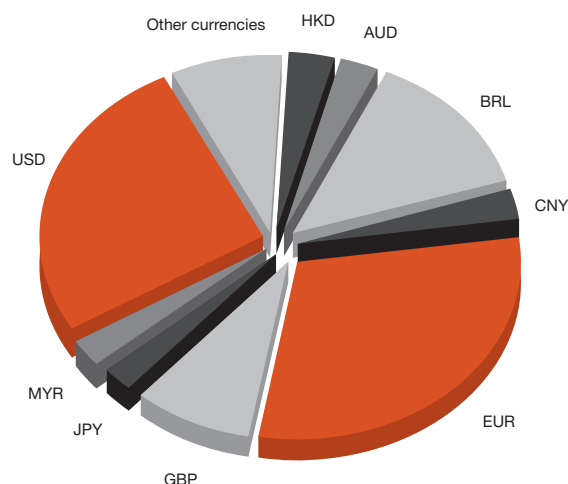
Exposure arising from borrowing is limited, since most loans by foreign subsidiaries are denominated in local currencies. Currency balances in subsidiaries are monitored to secure minimum transaction exposure in Ericsson companies.

TRANSLATION EXPOSURE

Exposures in foreign subsidiaries are hedged within a framework established by Company management:

- Monetary net in companies translated according to the temporal method are hedged to 100 percent.
- Equity in companies translated according to the current method are hedged very selectively up to 20 percent of the total monetary net in such subsidiaries. One percent of such monetary net was hedged at year-end 1999.

CHART 1 – MONETARY NETS AS OF DECEMBER 31, 1999, IN PERCENT OF TOTAL FOREIGN MONETARY NET



Monetary nets in foreign companies, by functional currency, as of December 31, 1999 (including associated companies and companies with financial operations). SEK billions.

The translation differences reported in equity during the year are SEK -2.4 b., mainly as a result of the devaluation in Brazil.

INTEREST-RATE RISKS

Ericsson's interest-rate risks are managed centrally. The focus during the year was short-term and balanced interest-rate periods for interest-bearing assets and liabilities.

TABLE 3 – DISTRIBUTION OF FIXED AND FLOATING INTEREST RATES, SEK BILLIONS

	1999	1998
Interest-bearing assets		
Short-term financial assets	31.5	18.2
Long-term financial assets, floating rate	10.8	11.4
Total interest-bearing assets	42.3	29.6
Interest-bearing liabilities		
Short-term financial liabilities	12.0	6.6
Pension liabilities	8.4	8.1
Long-term financial liabilities, fixed rate	0.7	2.3
Long-term financial liabilities, floating rate	23.7	10.5
Total interest-bearing liabilities	44.8	27.5

CREDIT AND COUNTERPARTY RISKS IN FINANCIAL OPERATIONS

Ericsson's policy is to invest excess liquidity mainly in government papers, as well as in commercial paper and corporate bonds with ratings of A1/P1 or higher. Ericsson Treasury Services has credit limits for each issuer and counterparty. The exposure in derivative instruments is valued at market daily and is expressed as a liability to, or receivable from, each counterparty. Netting contracts – so-called ISDA agreements – are in force for most of the counterparties, which substantially reduces counterparty risk. Counterparty limits are reviewed continuously. No credit losses were incurred during the year.

**TABLE 4 – ERICSSON TREASURY SERVICE'S
INVESTMENTS, DECEMBER 31, 1999, SEK BILLIONS**

Treasury bills	7.0
Treasury bonds	2.1
Mortgage bonds	0.1
Commercial papers	2.1
Corporate bonds	0.8
Cash, bank deposits	5.7
Total	17.8

**TABLE 5 – NET RISK IN INTEREST-RATE
DERIVATIVES, SEK MILLIONS**

Type of instrument	
Forward-rate agreements (FRA)	83.1
Interest-rate swap contracts	212.8
Interest-rate futures	3.3
Total net risk in interest-rate derivatives	152.3

Net risk in interest-rate derivatives expressed as the effect of a change of one percentage point in interest rates as of December 31, 1999, SEK millions.

CREDIT RISK RELATED TO CUSTOMER FINANCING

The ability and willingness among telecom vendors to offer financing support has become an increasingly important factor for customers' when selecting a supplier. Customer finance is a very powerful means of competing. The granting of credits and the implied credit risk has continued to increase, but without major losses during the year.

In total, the credit risk exposure amounts to SEK 21.0 b., of which SEK 12.0 b. is on the balance sheet while the remaining part relates to contingent liabilities.

Credit risks are continuously sold to financial institutions, when market conditions are appropriate.

FINANCING

Ericsson's long-term objective is to have a payment readiness amounting to between 7 and 10 percent of sales in order to cope with rapid changes in liquidity requirements. Payment readiness is defined as net liquidity – liquid funds less short-term borrowing, plus long-term unutilized credit commitments.

TABLE 6 – PAYMENT READINESS, SEK BILLIONS

	1999	1998
Cash, bank deposits and short-term investments	29.0	18.2
Confirmed long-term credit lines	8.5	1.6
Short-term borrowing	-10.5	-5.4
Short-term portion of long-term debt	-1.5	-1.1
Payment readiness	25.5	13.3
Percent of sales	11.8	7.2

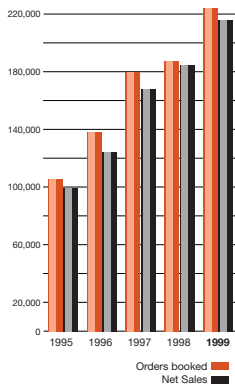
To ensure long-term payment readiness, Ericsson's policy is that the greater part of its borrowing should be long-term or its needs should be covered through long-term credit commitments. Long-term borrowing should have an evenly distributed maturity structure, and very long maturities should be avoided in order to obtain flexibility.

TABLE 7 – RATING

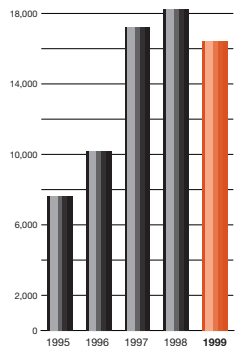
Rating agency	Long-term	Short-term
Moody's	A1	P-1
Standard & Poor's	A+	A-1

Ericsson's current rating A1/A+ is well in line with its peer group.

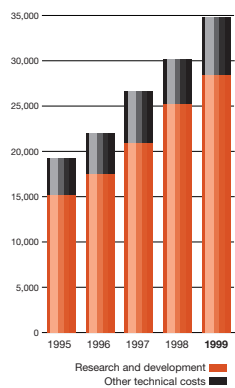
SALES AND ORDERS BOOKED (SEK m.)



INCOME BEFORE TAXES (SEK m.)



TOTAL TECHNICAL COSTS (SEK m.)



IMPORTANT EVENTS DURING THE YEAR

The year 1999 was characterized by fast growth in demand in the area of mobile telephony, driven by both increased number of subscribers and increased talk-time. The year will also be remembered as the year when our industry became fully aware of the potential of Internet communication, not only for chatting and surfing on the Web, but also for a lot of business applications, which will generate vast amounts of traffic in coming years. This was certainly recognized by the stock market, and reflected in sharply rising stock prices of IT-companies, and Internet-related companies in particular.

Ericsson started the year with a new organization, with a matrix of customer-oriented business segments for the provisioning of products and solutions and market areas for sales. Mid-year, Kurt Hellström replaced Sven-Christer Nilsson as President. The Chairman of the Board, Dr. Lars Ramqvist, also temporarily assumed a position as Chief Executive Officer. This action was taken by the Board to safeguard company performance, to maintain the speed in restructuring, and to focus on near-term issues regarding operating expenses, cash flow and mobile phone product launches. In December, Sten Fornell, previously Controller for the business segment Network Operators and Service Providers, was appointed Executive Vice President and Chief Financial Officer.

A number of significant acquisitions and joint venture agreements were concluded in 1999. Among the most important were:

- In March, Ericsson and Qualcomm struck a deal that led to the unlocking of closed positions regarding CDMA patents for the third-generation (3G) WCDMA standardization. Ericsson and Qualcomm agreed on intellectual property rights and thereby eliminated patent litigation issues. Ericsson also acquired Qualcomm's infrastructure division and is now, as sole supplier, able to deliver mobile phone systems of all standards.
- In the second quarter, Ericsson acquired two U.S.-based companies specialized in Internet access routers, Torrent Network Technologies Inc. and TouchWave Inc. Their products will complement Ericsson's offering regarding Internet access.
- In December, a joint-venture company, to be managed by Ericsson, was established with Microsoft to develop and market solutions for mobile Internet. The agreement gives Microsoft access to Ericsson's WAP technology, and enables Ericsson to use Microsoft Mobile Explorer in more sophisticated mobile phones.

FINANCIAL RESULTS

A very strong fourth quarter with record levels of orders, sales, income and cash flow made the 1999 results better than expected earlier in the year.

We did not, however, succeed to meet all our long-term goals in 1999, mainly due to weak performance during the first half of the year.

- Growth in sales was 18 percent for comparable units vs. a target of +20 percent.
- We reached a positive cash flow before acquisitions, SEK +2.9 b.
- We reached a capital turnover of 2.1 turns vs. a target of 2.0.
- ROCE at 19 percent was slightly below targeted 20–25 percent.
- Operating margin at 8.2 percent of sales is below the target of at least 10 percent.

ORDERS, SALES AND INCOME

Orders booked in total increased by 19 percent from last year to SEK 223.8 b., which is slightly below our long-term annual growth expectations of over 20 percent. This is mainly related to three factors:

- a slow build-out of capacity in China, our largest wireless market due to internal restructuring within customer organizations.
- introduction problems for our new generation of mobile phones with lower volumes and subsequent price pressure on older models.
- flat orders in our wireline business due to price pressure driven by vendor overcapacity.

In our wireless markets, excluding China, growth was well above 50 percent, with very strong volumes in the U.S., Spain and Turkey. Significant orders included 17 orders for trial 3G systems – far ahead of any of our competitors. Another key achievement during 1999 was the capturing of more than 50 percent of all GPRS orders. We also received strategic orders for our ENGINE solution for migrating fixed line networks to multiservice capabilities, and an order for an airborne surveillance system to Greece. This positions Ericsson very well for the future. Orders in China have picked up in the fourth quarter in a promising way. Total order backlog for Ericsson increased from SEK 79 b. to SEK 84 b.

Net sales increased by 17 percent to SEK 215.4 b., where an increase of over 40 percent in mobile systems is offset by slightly lower sales in Wireline Systems and a modest 3 percent increase for mobile phones. Sales in Enterprise Solutions were up 19 percent over last year, and an increasing portion of the sales is generated from the consulting and services activities, such as WAP-applications. The U.S. again became Ericsson's largest market with 11 percent of sales. The North American market area sales increased by 36 percent and Latin America and Europe/Middle East/Africa by 19 and 18 percent respectively, with strong growth in Brazil, Mexico, Spain and Turkey. Asia/Pacific sales increased by only 5 percent, due to a 16 percent decline in China, partly offset by strong increases in Japan, Australia and India. Exports from Sweden, including sales to consolidated companies, increased by 19 percent to SEK 131 (110) b.

The gross margin declined from 42.9 percent of Net sales to 41.6 percent, driven by the unfavorable product mix in mobile phones, with a larger share of older models than planned, plus price pressure in our wireline business. Gross margins were stable in mobile systems. The increased sales volume, however, more than offsets the impact of a lower gross margin percentage, resulting in an SEK 10.3 b. increase in gross margin.

Operating expenses developed unfavorably, with an SEK 13 b. (22 percent) increase over last year. The main cause was higher selling expenses from general growth, but in particular also from promotion efforts in mobile phones, increased risk provisions for customer financing, and project costs for process development in our time-to-customer (TTC) flow and supply chain. Restructuring and Y2K expenses also contributed to the increased expense level compared to last year.

Research and development (R&D) expenses, including costs related to customer orders of SEK 0.5 (1.3) b., were SEK 28.3 (25.2) b. or 13 (14) percent of sales. Total technical expenses, including market adaptations, were SEK 34.7 (30.2) b. or 16 (16) percent of sales. The focus of our R&D

efforts is on mobile Internet and 3G, as well as on adapting our switching products to the acquired CDMA products from Qualcomm.

Other operating revenues increased by SEK 1.2 b. from 1998, mainly due to capital gains from sales of shares in Intracom, and a minor portion of Ericsson's holdings in Juniper.

Due to previous overpayment of pension premiums, a potential credit amount of SEK 1.3 b. may be received from SPP in year 2000, this has not affected income in 1999.

The resulting *Operating Margin* declined to 8.2 (10.4) percent of sales, mainly because operating expenses increased faster than sales (22 percent vs. 17). Compared to 1998, the effects of foreign currency exchange rate changes had a favorable effect of SEK +0.4 (+0.8) b. on income.

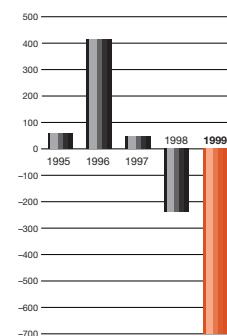
Financial net was reduced to SEK -0.7 (-0.2) b. as a result of a negative cash flow, in particular in the first half of the year. Higher borrowings led to increased financial expenses.

Minority interest in income was SEK -0.5 (-0.8) b., due to the large minority holdings last year during January–August in our Brazilian subsidiary EDB, which were acquired by Ericsson in September of 1998.

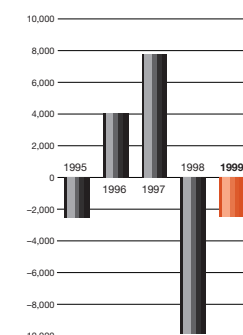
Income before taxes, SEK 16.4 b., is SEK 1.8 b. below last year's record level of SEK 18.2 b. Due to a couple of successfully settled tax cases plus non-taxable capital gains, the tax rate became very favorable, 26.0 (28.4) percent, resulting in a Net Income of SEK 12.1 (13.0) b.

Earnings per share are down 7 percent to SEK 6.17 (6.66). The equity ratio dropped from 38.9 percent to 35.2 percent during the year. Adjusted for temporary excess cash at year-end, the equity ratio is approximately 37 percent, which still is below our long-term target of 40 percent. Reported directly in stockholders' equity according to generally accepted accounting principles in Sweden and U.S.A. are effects of translation of financial statements of foreign subsidiaries of SEK -2.4 b., of which SEK -2.6 b. as a result of the devaluation in Brazil.

FINANCIAL NET (SEK m.)



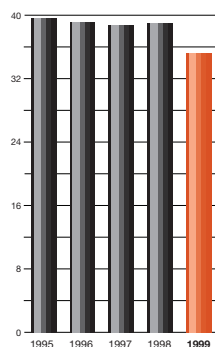
CASH FLOW BEFORE EXTERNAL FINANCING, (SEK m.)



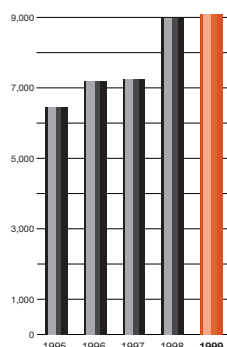
SEGMENT RESULTS 1999

Segment	Net sales (SEK b.)	Growth (percent)	Operating income	Operating margin (percent)
Network Operators	149.9	22	19.6	13.1 (12.4)
Consumer Products	46.4	3	0.3	0.5 (7.0)
Enterprise Solutions	17.3	19	0.1	0.4 (0.7)
Other Operations	16.8	10	0.1	0.4 (9.6)
Unallocated costs			-2.4	
Less: inter-segment sales	-15.0	10		
Ericsson	215.4	17	17.6	8.2 (10.4)

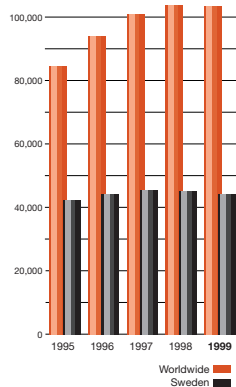
EQUITY RATIO, %



INVESTMENTS IN TANGIBLE ASSETS, (SEK m.)



NUMBER OF EMPLOYEES



INVESTMENTS, FINANCING AND CASH FLOW

Investments in tangible fixed assets in 1999 were SEK 9.1 (9.0) b., of which SEK 4.1 (3.4) b. in Sweden. Strategic acquisitions during the year amounted to SEK 5.3 b. in total, including:

- Qualcomm's infrastructure division
- Torrent Networking Technologies Inc., now renamed Ericsson IP Infrastructure Inc.
- TouchWave Inc., now renamed Ericsson Web-Com Inc.
- Telebit A/S and
- Minority investments in Saraïde, OZ.COM and Juniper

Benchmark bond issues of SEK 12.9 b. were successfully launched under our European Medium Term Note (EMTN) program. The issues in Euro and U.S. dollars were the largest ever made by a Nordic corporation and substantially oversubscribed.

Cash flow before financing activities was SEK -2.4 (-9.8) b. due to a very strong fourth quarter of SEK 9.5 b. We managed to reach our target of favorable cash flow before strategic acquisitions. Adjusted for SEK -5.3 b. of acquisitions, cash flow was SEK +2.9 b. The improvement in operating cash flow is mainly a result of improved inventory, active management of customer receivables and increased operating liabilities including advances from customers.

Among the segments, only Network Operators and Service Providers performed in line with our long-term goals. The market for mobile telephony experienced very strong growth in most markets, excluding China, with increases in the numbers of subscribers coupled with increased minutes of usage per subscriber. In addition, many operators have chosen to enhance their networks for mobile Internet capabilities.

The Network Operator segment increased sales by 22 percent and with improved margins. Sales of mobile systems products increased by more than 40 percent, while sales in Wireline Systems declined slightly. Ericsson is now the undisputed market leader in mobile systems with a market share above 30 percent, more than twice that of the closest competitor's. Today, 40 percent of all subscribers in the world are connected to Ericsson systems, and all of the top ten largest operators have chosen Ericsson. In 1999, Ericsson won more than 50 percent of the orders for GPRS.

With the Qualcomm acquisition, Ericsson is now the only supplier able to offer all mobile telephony standards, which opens up a new market for year 2000.

The Operating margin improved, in spite of a negative effect of SEK -1.3 b. from acquired units. The Wireline Systems unit improved performance during 1999 with an operating income of 5.6 percent of sales, demonstrating that the restructuring activities have been successfully implemented and a stable turnaround achieved. Several strategic orders for the ENGINE product concept for migrating circuit-switched networks into multi-service network IP and ATM capabilities were received during 1999 from customers, such as BT, KNP and Telefonica.

For Consumer Products the market share dropped during the year, in spite of a 30 percent increase in volumes to 31 million units. Due to delayed volume production of the new product portfolio, older phones were sold to unfavorable prices resulting in increased sales of only 3 percent. During the fourth quarter, however, the volumes reached targeted levels, and operating margin rose to 5.6 percent of sales, compared to 0.5 percent for the full year. With ramp-up of production now under control and a much more

competitive product portfolio, Ericsson is well positioned to win back market share in 2000, as market demand continues to look strong.

Enterprise Solutions' external sales increased by 19 percent to SEK 11.6 (9.8) b. with strong volumes of the PBX MD110. Income was at break even compared to last year, with continued development expenses for IP and wireless communications solutions for private networks. Business consulting activities are focusing on solutions and services for mobile Internet.

Other Operations includes the Dedicated Networks unit, which will be closed down, previously reported in the Enterprise Solutions segment. Dedicated Networks reports a loss of SEK -0.8 b. due to unsuccessful projects. Also included in this group is Defense Systems, with lower sales and operating income compared to last year due to fewer orders from the Swedish Armed Forces. Defense Systems however posted a large order of SEK 4.9 b. for airborne surveillance equipment to Greece in the fourth quarter.

Unallocated costs mainly include core corporate staff expenses and goodwill amortization on certain acquisitions. The costs increased from last year due to changes in the corporate staff structure, increased millennium expenses, common IT projects and goodwill amortization.

EMPLOYEES

The number of employees in total did not change significantly during 1999 and was 103,290 (103,667) at year-end. Almost 2,400 employees were added through acquisitions and about 5,400 were recruited into new jobs, mainly in Consumer Products. Around 9,600 employees were affected by outsourcing and other restructuring activities.

During the year, a decision was made to implement a stock option plan for year 2000 in addition to the two earlier plans for 1998 and 1999, which were based on market solutions. The 2000 plan consists of options (so-called "employee options" that are hedged by warrants issued by Ericsson, which if fully utilized, will have a dilutive effect on earnings per share of 0.7 percent.

The allotment and subscription prices under the programs for 1999 and 2000 will be established at the beginning of 2000.

RESTRUCTURING

After initial delays, the program announced in early 1999 is now implemented as planned. Some decisions made will take place in early year 2000. In total SEK 2.4 b. were spent in 1999, with cost savings of SEK 0.6 b. As indicated above, 9,600 employees were affected. Some of the employees participate in a training program for enhanced skills, to make them more attractive on the labor market, and with a guaranteed employment in a manning-company, should they not find new jobs within a year. Expected net savings are SEK 1.8 b. in 2000 and SEK 3.7 b. from 2001. Since the program is now well under control, from this point on it will be considered a part of Ericsson's regular operations.

MILLENNIUM

The objectives for Ericsson's millennium program were to retain satisfied customers, to protect shareholder value and to secure working conditions. All three objectives were met and no major incident was experienced during the transition. The total accumulated costs of the project are SEK 2.7 b., of which SEK 1.8 b. during 1999, mainly as part of selling and administration expenses. Additional costs of around SEK 0.4 b. are expected for year 2000.

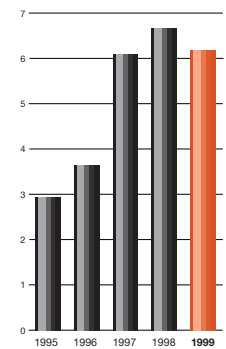
ENVIRONMENTAL ISSUES

Ericsson has production operations in 38 facilities in 13 countries, for the assembly of electronic components and manufacturing of cables and components. The environmental impact of these operations consists of emissions to air and water, waste products and noise. Chemicals used include flux and soldering paste and powder lacquer. Life-cycle analyses of our products show the largest impact on the environment to be their energy consumption in use. Ericsson is fully exploiting the IT industry's inherent possibilities to miniaturize products and reduce their energy consumption, which often reduces the unfavorable environmental impact for a given function considerably.

SWEDISH REGULATIONS REQUIRING PERMISSIONS OR REPORTING

Ericsson has 15 production facilities in Sweden. For 8 of these, permission is required for operations due to noise or emissions into air or water, while 5 units are obliged to report certain hazardous activities. No material requests or complaints have been received during the year.

EARNINGS PER SHARE (SEK)



ISO-CERTIFICATES

The ISO 14001 environmental management system is scheduled for implementation in all production units at the latest at the end of year 2000. In Sweden, 10 of Ericsson's 15 production units have already been certified and another 3 are recommended but have not yet received their certificates.

ENVIRONMENTAL LIABILITIES

The situation regarding so-called environmental liabilities has been examined.

For the Swedish units, the total liability for environmental damages is less than SEK 100 million. Remedial actions for SEK 20 million will be carried out during year 2000. For units outside Sweden, only one material damage is known concerning a facility in Holland. The liability issue is now regulated in an agreement with the Dutch authorities and a provision for this liability is made in the accounts.

For further information on Ericsson's environmental activities, please see our separate Environmental Report for 1999.

THE BOARD OF DIRECTORS AND ITS PROCEDURES

Telefonaktiebolaget LM Ericsson's Board of Directors consists of nine members, without deputies, who are elected by the Annual General Meeting, and three members with deputies, who are appointed by the employee organizations. In July, CEO Sven-Christer Nilsson resigned from the Board and was not replaced, which reduced the number of directors elected by the Annual General Meeting to eight. Company staff participate in Board meetings delivering special presentations.

During fiscal year 1999, the Board held nine meetings. The company auditors have reported their observations from the audits to the Board.

The work of the Board follows a set plan, which is designed to meet the Board's need for information and otherwise follows the arrangement the Board has adopted with respect to the division of work between the Board and the President. Accordingly, matters handled by the Board include Ericsson's strategy and organizational structure, major investments in businesses and plants, major sales of operations and plants, large customer financing projects, and rules governing cash management.

The Board has also established a presidium, consisting of the Chairman, the two Vice Chairmen and the President, which during the period between Board meetings act on urgent matters, such as projects involving customer financing and acquisitions and divestments based on authorization by the Board. The presidium also establishes the terms of employment for the president and reports them to the Board for approval.

The Board's annual review of its work procedures has resulted in a new plan for allocation of responsibilities for year 2000. Three committees composed of Board members, namely the Finance Committee, the Remuneration Committee and the Audit Committee have substituted the presidium. The Board has authorized the Finance Committee and the Remuneration Committee to decide on certain kinds of matters. The Board may also provide further authorization to its Committees to decide on specific matters. The purpose of this change is to make the work of the Board even more effective in a business that is subject to rapid development and to enable the Board to devote additional time to strategic matters and over all planning.

CHANGES WITHIN ERICSSON DURING THE YEAR

In early 1999, Ericsson sold its majority holdings in the Italian network construction company Cosir S.p.A. Ericsson retains a minority holding.

During the year, the following acquisitions were made:

- the Brazilian company Matec S.A. is now a subsidiary, since ownership has increased from 30 percent to 97.5 percent.
- the Infrastructure division of Qualcomm Inc. was acquired and incorporated as Ericsson Wireless Communications Inc.
- the Mobile network planning and field measurement division of LCC International Inc. was acquired and incorporated as Ericsson NetQual Inc.
- Torrent Networking Technologies Inc., renamed Ericsson IP Infrastructure Inc.
- TouchWave Inc., renamed Ericsson WebCom Inc.
- Telebit A/S
- Ericsson increased its holdings in the Nigerian company LM Ericsson (Nigeria) Ltd to 55 percent and the company is now a consolidated subsidiary
- Holdings in a new associated company: across holding AB
- Minority holdings in: Juniper, Saraide, OZ.COM, iD2 Technologies AB

A shared service company was established in Sweden, Ericsson Shared Services AB, supporting Swedish subsidiaries regarding accounting, reporting, payroll and travel management services.

LM Ericsson Data AB and Semantica AB changed their names to Ericsson Business Consulting AB and Ericsson Business Consulting Sverige AB, respectively. These companies are a part of the business segment Enterprise solutions' consulting unit.

In Spain, the three subsidiaries Ericsson Infocom Espana S.A., Ericsson Radio S.A. and Ericsson Redes S.A. merged into Ericsson Espana S.A.

In France, S.A. Ericsson and Ericsson Radio S.A. and parts of MET Commutation have merged into Ericsson S.A.

Ericsson signed a letter of intent with Compaq to outsource IT support, starting in the Nordic region and involving more than 40,000 work stations.

Other outsourcing activities include manufacturing and software design operations in Longueville, France, and Östersund, Sweden, to Solectron and in Katrineholm, Sweden, to Flextronics. A software development unit in Östersund, Sweden, has been transferred to AU-system AB.

During the year it was decided that Ericsson will divest the majority of its real estate holdings and focus capital utilization on its core business activities. These divestitures will occur in year 2000. Real estate management and services in the Stockholm area will be outsourced to Skanska early in year 2000.

Ericsson has branch and representative offices in 45 (42) countries.

POST-CLOSING EVENTS

DIVESTITURES

Agreements have been entered into to divest the Private Radio Systems business in USA to ComNet Critical Communications in the first quarter and the Energy Systems part of Ericsson Components to Emerson Electric Co during the second quarter.

BOARD OF DIRECTORS

On January 7, 2000, Lars-Eric Petersson resigned as a board member upon his appointment as chairman of the Swedish network operator Telia.

MANAGEMENT CHANGES

Effective February 15, Jan Wäreby, previously Executive Vice President Market area Europe/Middle East/Africa, will succeed Johan Siberg as Executive Vice President for the Consumer Products segment.

Johan Siberg, Executive Vice President, will assume a position as coordinator of Swedish operations, reporting to the President.

Ragnar Bäck, currently President in our Italian subsidiary, will take up a position as a member of the Corporate Executive Team and Executive Vice President, head of Market Area Western Europe. Also effective February 15, 2000.

Appointment of a manager for Market Area Eastern Europe/Middle East/Africa will be announced shortly.

OUTLOOK FOR YEAR 2000

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

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

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

PARENT COMPANY TELEFONAKTIEBOLAGET LM ERICSSON

The parent company's results include the operations conducted on commission basis by Ericsson Telecom AB, Ericsson Treasury Services AB and, since January 1, the newly established company Ericsson Credit AB, which manages Ericsson's customer financing credit portfolio. The commission agreement with Ericsson Telecom AB has been cancelled as per January 1, 2000.

Net Sales for the parent company were SEK 15.4 (16.8) b. and Income before appropriations to/from untaxed reserves and taxes was SEK 3.2 (1.3) b.

Major changes in the company's financial position were:

- increased investments in subsidiaries of SEK 5.1 b., of which SEK 3.3 b. were attributable to stock issues in Ericsson Holding II Inc. (USA).
- increased long-term loans to subsidiaries of SEK 5.6 b.
- increased long-term customer financing of SEK 6.0 b.
- increased bank and short-term cash investments of SEK 6.7 b.

These investments were financed through increased borrowings. During the year, the company sold a major part of its real estate holdings to Ericsson companies in Sweden. At year-end, cash and short-term cash investments amounted to SEK 17.1 b.

PROPOSED BONUS ISSUE AND STOCK SPLIT

The Board of Directors will propose to the Annual General Meeting a bonus issue, by way of an increase of the par value of A and B shares from SEK 2.50 to SEK 4.00 followed by a split 4:1. Trading with shares of the new par value SEK 1.00 is expected to commence in the beginning of May 2000.

REPURCHASE OF SHARES

The Board of Directors welcome the proposed change in legislation to enable repurchase of shares and will present a proposal to the Annual General Meeting in light of the final decisions taken by legislative bodies in Sweden.

PROPOSED DISPOSITION OF EARNINGS

Available for distribution by the shareholders at the Annual General Meeting are SEK 16,300,310,622. The Board of Directors proposes that these earnings be distributed as follows:

an unchanged dividend of SEK 2.00 per share to be paid to shareholders duly registered on the Record date	SEK 3,944,088,906
the remainder to be retained within the business	SEK 12,356,221,716
Total amount available	SEK 16,300,310,622

Debentures 1993/2000 converted up to February 7, 2000, are also entitled to dividend for 1999. Assuming all such debentures are converted by February 7, the dividend will amount to the sum specified above.

Stockholm January 28, 2000
Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016-0680

Tom Hedelius
Vice Chairman

Lars Ramqvist
Chairman and CEO

Marcus Wallenberg
Vice Chairman

Göran Lindahl

Sverker Martin-Löf

Clas Reuterskiöld

Peter Sutherland

Göran Engström

Jan Hedlund

Per Lindh

Kurt Hellström
President

CONSOLIDATED INCOME STATEMENT

Years ended December 31, SEK m.		1999	1998	1997
Net sales	NOTE 1	215,403	184,438	167,740
Cost of sales		-125,881	-105,251	-97,868
Gross Margin		89,522	79,187	69,872
Research and development and other technical expenses		-33,123	-28,027	-24,242
Selling expenses		-31,205	-24,108	-20,464
Administrative expenses		-10,078	-8,922	-7,755
Other operating revenues	NOTE 2	2,224	995	866
Share in earnings of associated companies		250	148	480
Operating Margin		17,590	19,273	18,757
Financial income	NOTE 3	2,273	2,228	2,413
Financial expenses	NOTE 3	-2,971	-2,465	-2,365
Income After Financial Items		16,892	19,036	18,805
Minority interest in income before taxes		-506	-826	-1,587
Income Before Taxes		16,386	18,210	17,218
Taxes				
Income taxes for the year	NOTE 4	-4,358	-5,409	-5,755
Minority interest in taxes		102	240	478
NET INCOME		12,130	13,041	11,941
Earnings per share, SEK	NOTE 5	6.17	6.66	6.08

CONSOLIDATED BALANCE SHEET

December 31, SEK m.		1999	1998
ASSETS			
Fixed Assets			
Intangible assets	NOTE 6	10,548	6,354
Tangible assets	NOTE 7, 23, 25	24,719	22,516
Financial assets	NOTE 8		
Equity in associated companies		2,712	2,777
Other investments		1,751	1,438
Long-term customer financing		6,657	5,937
Other long-term receivables		4,972	2,902
		51,359	41,924
Current Assets			
Inventories	NOTE 10	25,701	26,973
Receivables			
Accounts receivable - trade	NOTE 11	63,584	53,900
Short-term customer financing		1,749	3,837
Other receivables	NOTE 13	31,227	22,589
Short-term cash investments		13,415	6,356
Cash and bank		15,593	11,877
		151,269	125,532
TOTAL ASSETS		202,628	167,456
Assets Pledged as Collateral	NOTE 20	2,068	1,203

CONSOLIDATED BALANCE SHEET

December 31, SEK m.		1999	1998
STOCKHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Stockholders' Equity	NOTE 14		
Capital stock		4,893	4,878
Reserves not available for distribution		32,618	28,053
Restricted equity		37,511	32,931
Retained earnings		19,535	17,140
Net income		12,130	13,041
Non-restricted equity		31,665	30,181
		69,176	63,112
Minority Interest in Equity of Consolidated Subsidiaries			
		2,182	2,051
Provisions	NOTE 16	22,552	22,284
Long-Term Liabilities	NOTE 17, 20		
Notes and bond loans		17,486	4,470
Convertible debentures		5,453	6,241
Liabilities to financial institutions		1,448	1,898
Other long-term liabilities		567	459
		24,954	13,068
Current Liabilities	NOTE 20		
Current maturities of long-term debt		1,491	1,188
Current liabilities to financial institutions	NOTE 18	10,519	5,427
Advances from customers		6,437	8,398
Accounts payable – trade		21,618	18,246
Income tax liabilities		2,397	1,957
Other current liabilities	NOTE 19	41,302	31,725
		83,764	66,941
TOTAL STOCKHOLDERS' EQUITY, PROVISIONS AND LIABILITIES¹⁾		202,628	167,456
Contingent Liabilities	NOTE 21	10,127	8,063
¹⁾ Of which interest-bearing provisions and liabilities		45,020	27,474

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31, SEK m.	1999	1998	1997
OPERATIONS			
Net income	NOTE 22 12,130	13,041	11,941
Adjustments to Reconcile Net Income to Cash			
Minority interest in net income	404	586	1,109
Undistributed earnings of associated companies	18	-359	-90
Depreciation and amortization	7,382	6,081	5,756
Capital gains (-)/losses on sale of fixed assets	-1,399	-230	152
Taxes	-947	-2,301	619
Changes in Operating Net Assets			
Inventories	714	-2,056	-3,396
Customer financing, short-term and long-term	722	-5,727	-347
Accounts receivable - trade and other operating assets	-19,562	-10,695	-15,828
Provisions and other operating liabilities	13,463	9,054	14,986
Cash Flow From Operating Activities	12,925	7,394	14,902
INVESTMENTS			
Investments in tangible assets	-9,085	-8,965	-7,237
Sales of tangible assets	625	632	642
Acquisitions/sales of other investments, net	NOTE 22 -4,768	-8,865	-69
Net change in capital contributed by minority	134	35	21
Other	-2,270	-56	-513
Cash Flow From Investing Activities	-15,364	-17,219	-7,156
Cash Flow Before Financing Activities	-2,439	-9,825	7,746
FINANCING			
Changes in current liabilities to financial institutions, net	NOTE 22 3,854	955	96
Issue of convertible debentures	58	19	4,875
Proceeds from issuance of other long-term debt	15,163	3,366	2,571
Repayments of long-term debt	-1,515	-1,332	-2,672
Dividends paid	-4,010	-3,800	-2,805
Cash Flow From Financing Activities	13,550	-792	2,065
Effect of exchange rate changes on cash	-336	-277	256
Net Change in Cash	10,775	-10,894	10,067
Cash, Beginning of Period	18,233	29,127	19,060
CASH, END OF PERIOD	29,008	18,233	29,127

PARENT COMPANY INCOME STATEMENT

Years ended December 31, SEK m.		1999	1998	1997
Net sales	NOTE 1	15,375	16,836	16,217
Cost of sales		-10,944	-11,657	-12,205
Gross Margin		4,431	5,179	4,012
Research and development and other technical expenses		-5,386	-6,324	-6,635
Selling expenses		-4,116	-2,370	-1,568
Administrative expenses		-2,580	-1,889	-1,329
Other operating revenues	NOTE 2	3,155	2,666	2,368
Operating Margin		-4,496	-2,738	-3,152
Financial income	NOTE 3	9,915	6,052	6,223
Financial expenses	NOTE 3	-2,202	-1,942	-1,827
Income After Financial Items		3,217	1,372	1,244
Appropriations to (-)/transfers from untaxed reserves				
Changes in depreciation in excess of plan	NOTE 15	371	204	337
Changes in other untaxed reserves	NOTE 15	-2,691	-174	-504
		-2,320	30	-167
Contributions from subsidiaries, net		5,292	4,749	4,074
Income Before Taxes		6,189	6,151	5,151
Income taxes for the year	NOTE 4	-623	-419	-393
NET INCOME		5,566	5,732	4,758

PARENT COMPANY BALANCE SHEET

December 31, SEK m.		1999	1998
ASSETS			
Fixed Assets			
Intangible assets	NOTE 6	56	78
Tangible assets	NOTE 7, 25	828	2,625
Financial assets			
Investments			
Subsidiaries	NOTE 8, 9	24,364	19,262
Associated companies	NOTE 8, 9	1,039	974
Other investments	NOTE 8	53	46
Receivables from subsidiaries	NOTE 12	17,925	12,329
Long-term customer financing	NOTE 8	6,320	280
Other long-term receivables	NOTE 8	2,129	127
		52,714	35,721
Current Assets			
Inventories	NOTE 10	952	1,607
Receivables			
Accounts receivable – trade	NOTE 11	2,402	2,544
Short-term customer financing		178	30
Receivables from subsidiaries	NOTE 12	22,336	18,617
Other receivables	NOTE 13	9,184	7,618
Short-term cash investments		12,062	5,732
Cash and bank		5,028	4,665
		52,142	40,813
TOTAL ASSETS		104,856	76,534
Assets Pledged As Collateral	NOTE 20	1,845	402

PARENT COMPANY BALANCE SHEET

December 31, SEK m.		1999	1998
STOCKHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Stockholders' Equity	NOTE 14		
Capital stock		4,893	4,878
Share premium reserve		1,941	1,687
Revaluation reserve		20	95
Statutory reserve		9,681	9,680
Restricted equity		16,535	16,340
Retained earnings		10,734	8,832
Net income		5,566	5,732
Non-restricted equity		16,300	14,564
		32,835	30,904
Untaxed Reserves	NOTE 15	5,406	3,086
Provisions	NOTE 16	5,513	3,731
Long-Term Liabilities			
Notes and bond loans	NOTE 17	17,486	4,470
Convertible debentures	NOTE 17	5,453	6,195
Liabilities to financial institutions	NOTE 17, 20	370	320
Liabilities to subsidiaries	NOTE 12, 17	3,454	2,821
Other long-term liabilities	NOTE 17	53	21
		26,816	13,827
Current Liabilities	NOTE 20		
Current maturities of long-term debt		587	558
Current liabilities to financial institutions	NOTE 18	929	26
Advances from customers		252	365
Accounts payable – trade		821	1,203
Liabilities to subsidiaries	NOTE 12	25,601	17,448
Income tax liability		229	104
Other current liabilities	NOTE 19	5,867	5,282
		34,286	24,986
TOTAL STOCKHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		104,856	76,534
Contingent Liabilities	NOTE 21	11,611	6,968

PARENT COMPANY STATEMENT OF CASH FLOWS

Years ended December 31, SEK m.	1999	1998	1997
OPERATIONS			
Net income	5,566	5,732	4,758
Adjustments to Reconcile Net Income to Cash			
Depreciation and amortization	322	442	665
Capital gains (-)/losses on sale of fixed assets	41	1,022	94
Appropriations to/transfers from (-) untaxed reserves	2,320	-30	167
Unsettled contributions from (-)/to subsidiaries	-5,200	-4,700	-4,000
Unsettled dividends	-3,904	-2,290	-3,269
Changes in Operating Net Assets			
Inventories	655	164	-311
Customer financing, short-term and long-term	-6,188	-164	-86
Accounts receivable – trade and other operating assets	-155	5,133	-5,079
Provisions and other operating liabilities	1,752	-237	5,158
Cash Flow From Operating Activities	-4,791	5,072	-1,903
INVESTMENTS			
Investments in tangible assets	-368	-396	-622
Sales of tangible assets	1,810	247	401
Acquisitions/sales of other investments, net	-5,185	-5,978	-97
Lending, net	-4,397	-4,706	-3,370
Other	-1,705	-	-111
Cash Flow From Investing Activities	-9,845	-10,833	-3,799
Cash Flow Before Financing Activities	-14,636	-5,761	-5,702
FINANCING			
Changes in current liabilities to financial institutions, net	890	-206	207
Changes in current liabilities to subsidiaries	11,120	-4,181	13,199
Issue of convertible debentures	-	-	6,000
Proceeds from issuance of other long-term debt	13,323	2,645	1,866
Repayments of long-term debt	-556	-428	-1,804
Dividends paid	-3,904	-3,410	-2,404
Other	456	269	-38
Cash Flow From Financing Activities	21,329	-5,311	17,026
Net Change in Cash	6,693	-11,072	11,324
Cash, Beginning of Period	10,397	21,469	10,145
Cash, End of Period	17,090	10,397	21,469

Notes to the Financial Statements

Accounting principles

In millions of Swedish kronor (except per share amounts) at December 31 each year, unless otherwise stated.

The consolidated financial statements of Telefonaktiebolaget LM Ericsson and its subsidiaries (“the Company”) are prepared in accordance with accounting principles generally accepted in Sweden, thereby applying the Swedish Financial Accounting Standards Council’s (RR) recommendations. These accounting principles differ in certain respects from those in the United States. For a description of major differences, see Note 24.

(A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Parent Company and all subsidiaries. Subsidiaries are all companies in which the Company has an ownership and directly or indirectly has a voting majority or by agreement has a decisive influence. Intercompany transactions have been eliminated.

The consolidated financial statements have been prepared in accordance with the purchase method, whereby consolidated stockholders’ equity includes equity in subsidiaries and associated companies earned only after their acquisition.

In the consolidated Income Statement, minority interests are, in deviation from the Swedish Financial Accounting Standards Council’s recommendation RR01, divided into two items; share in income before taxes and share in taxes. The reason is that this method, considering the significant minority interest holdings in the group during the last years, gives a more fair view of the important measure Income before taxes.

Material investments in associated companies, where voting stock interest is at least 20 percent but not more than 50 percent, are accounted for according to the equity method. Ericsson’s share of income before tax in these companies is reported in item “Share in earnings of associated companies”, included in the Operating Margin. Taxes are included in item “Taxes”. Unrealized internal profits in inventory in associated companies purchased from subsidiaries are eliminated in full in the consolidated accounts. Investments in associated companies are shown at equity after adjustments for unrealized intercompany profits and unamortized goodwill (see (B) below).

Undistributed earnings of associated companies included in consolidated restricted equity are reported as “Equity proportion reserve”. Minor

investments in associated companies and all other investments are accounted for as Other investments, and carried at the lower of cost or fair market value.

(B) GOODWILL

Goodwill, positive and negative, resulting from acquisitions of consolidated companies is amortized/reversed according to individual assessment of each item’s estimated economic life, resulting in amortization periods of up to 20 years. Depending on the nature of the acquisition, goodwill amortizations are reported under “Research and development and other technical expenses”, “Selling expenses” or “Administrative expenses”.

(C) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

For most subsidiaries and associated companies, the local currency is the currency in which the companies primarily generate and expend cash, and is thus considered their functional (business) currency. Their financial statements plus goodwill related to such companies, if any, are translated to SEK using the current method, whereby any translation adjustments are reported directly to stockholders’ equity. When a company accounted for in accordance with these principles is sold, accumulated translation adjustments are included in the consolidated income.

Financial statements of companies with finance activities or other companies, having such close relations with the Swedish operations that their functional currency is considered to be the Swedish krona, are labeled “integrated companies” and are translated using the monetary method. Adjustments from translation of financial statements of these companies are included in the consolidated income statement (see Note 14).

Financial statements of companies operating for example in countries with highly inflationary economies, whose functional currency is considered to be another currency than local currency, are translated in two steps. In the first step, remeasurement is made into the functional currency. Gains and losses resulting from this remeasurement are included in the consolidated income statement. In the second step, from the functional currency to Swedish kronor, balance sheet items are translated at year-end exchange rates, and income statement items at the average rates of exchange during the year. The resulting translation

adjustments are reported directly against stockholders' equity. The remeasurement in step one is a deviation from the Swedish Financial Accounting Standards Council's recommendation RR08, which requires inflation adjustment of such financial statements. In our opinion, the remeasurement method, which is in accordance with U.S. GAAP FAS 52, gives a more fair view of these financial statements, since companies concerned operate in de facto dollar-based economies.

(D) TRANSLATION OF FOREIGN CURRENCY ITEMS IN INDIVIDUAL COMPANIES

In the financial statements, receivables and liabilities in foreign currencies have been translated at year-end exchange rates.

Gains and losses on foreign exchange are divided into operational and financial. Net operational gains and losses are included in Cost of sales. Gains and losses on foreign exchange attributable to financial assets are included in financial income, and gains and losses related to financial liabilities are included in financial expenses.

Translation effects related to permanent financing of foreign subsidiaries are reported directly to Stockholder's equity, net of tax effects.

(E) VALUATION OF SHORT-TERM CASH INVESTMENTS AND DERIVATIVES

Short-term cash investments held by companies other than Ericsson Treasury Services AB are valued at the lowest of acquisition cost plus accrued interest and market value.

Short-term cash investments and interest related derivatives in Ericsson Treasury Services AB are valued at market value, and net unrealized gains are reserved. Gains and losses from derivatives in Ericsson Treasury Services AB are reported net as Other financial income/expense.

Financial assets and liabilities, including unrealized gains and losses on derivatives, are reported net in the Balance Sheet only when accounting principles so permit, for example when ISDA-agreements are signed.

Derivative instruments are used mainly to hedge financial interest- and currency risks.

In order to limit currency risks, purchases and sales in foreign currencies are hedged using forward currency contracts in all cases involving firm commitments with suppliers and customers. In addition, anticipated future cash flows in foreign currencies are also hedged for periods of 6–9 months. The hedge periods shall agree with expected future cash flow. Some bids are also hedged, normally through currency options.

Forward exchange options and investments hedging certain positions have been valued in a manner reflecting the accounting for the hedged position. Interest-related derivatives linked to specific investments or loans or which are applied to hedge interest positions are valued in the same manner as the hedged instrument. Other foreign exchange related derivatives are valued at market.

When a transaction hedged in advance ceases to be an exposure, the hedge is closed. Hereby deviations between actual and hedged flows are recognized in income as soon as they are identified.

Currency forward contracts related to future cash flows correspond to 6–9 months of future sales. Net unrealized loss after market evaluation of contracts related to future cash flows was SEK –0.9 b., which is a result mainly of higher dollar spot rates at year-end than when hedging was made. This effect has not been included in income for 1999, since these contracts are entered into as hedges of committed and reasonably assured cash flows and therefor by Swedish accounting principles are not valued at market.

The use of currency forward contracts as hedges is entirely according to Ericsson's policy to avoid currency speculation and minimize risk. The hedges have served their purpose of safeguarding our calculated sales margins. Forward contract periods for estimated cash flows are chosen to give us sufficient lead time to adjust or renegotiate prices with customers or vendors or take other actions, which means that effects of nominal currency rate changes are to a large extent moderated.

To calculate a gain or loss as if hedges had not been made is therefore somewhat artificial – it shows an opportunity gain or loss which would imply a speculation element by not hedging. This opportunity cost effect during the year is varied, with a net overall loss. The loss is mainly due to USD contracts, driven by the stronger dollar resulting in hedged rates lower than spot rates, which is partly offset by gains related mainly to a weaker Euro, where the hedged rates were higher than spot rates. Since we receive more foreign currency than we pay, our forward contracts are net sales contracts where we sell our excess foreign currency to banks, which is the reason why a higher rate is more favorable than a lower rate.

(F) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation, adjusted with net value of revaluations.

Annual depreciation is reported as plan depreciation, generally using the straight-line method, with estimated useful lives of, in general, 40 years on

buildings, 20 years on land improvements, 3 to 10 years on machinery and equipment, and up to 5 years on rental equipment. Depreciation is included in Cost of Sales and in the respective functional operating expenses.

(G) INVENTORIES

Inventories are valued at the lowest of cost or market on a first-in, first-out (FIFO) basis. Consideration has been given to risks of obsolescence.

(H) REVENUE RECOGNITION

Sales revenue is recorded upon delivery of products, software and services according to contractual terms and represent amounts realized, excluding value-added tax, and are net of goods returned, trade discounts and allowances.

Revenue from long-term customer contracts is recognized successively. If costs required to complete such contracts are estimated to exceed remaining revenues, provision is made for estimated losses.

For sales between consolidated companies, as a rule the same pricing is applied as in transactions with other customers, taking into account, however, that certain costs are eliminated in transactions between affiliated companies.

(I) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred. Costs based on orders from customers are included in Cost of sales.

(J) LEASING

Property leases with the company as lessee are normally expensed over the term of the lease. The Company applies the Swedish Financial Accounting Standards Council's recommendation No. 6 for material lease contracts. Accordingly, certain leasing contracts are capitalized and reported as acquisitions of tangible assets and as other current liabilities and other long-term liabilities.

(K) DEFERRED TAX IN UNTAXED RESERVES

The Company reports deferred taxes attributable to temporary differences between the book value of assets and liabilities and their tax value, and also deferred tax receivables attributable to unutilized loss carryforwards with a probability to be used greater than 50 percent.

Appropriations and Untaxed reserves are not reported in the consolidated financial statements.

Such items reported by consolidated companies have been reversed, applying the current tax rate applicable in each country. The deferred tax so calculated is shown in the consolidated income statement as Deferred taxes. The after-tax effect is stated in the income statement as part of net income for the year, and in the balance sheet as restricted stockholders' equity.

The accumulated deferred tax liability is adjusted each year by applying the current tax rate in each country and is reported in the consolidated balance sheet as Deferred tax. An adjustment of deferred tax liability attributable to changes in tax rates is shown in the consolidated income statement as a part of the deferred tax expense for the period.

(L) STATEMENT OF CASH FLOWS

Statement of Cash Flows is prepared principally in accordance with recommendation RR07 from the Swedish Financial Accounting Standards Council. The Statement of Cash Flows shows changes in the cash position during the year attributable to operations, investing activities and financing activities respectively.

Foreign subsidiaries' transactions are translated at the average exchange rate during the period.

Subsidiaries purchased and/or sold, net of cash acquired/sold, are reported as cash flow from investment activities and do not affect reported cash flow from operations.

In preparation of the Statement of Cash Flows, changes in deferred tax assets and liabilities have been taken into account.

(M) OPERATIONS ON COMMISSION BASIS REPORTED IN PARENT COMPANY ACCOUNTS

Ericsson Treasury Services AB and Ericsson Telecom AB have conducted their operations on commission basis for the Parent Company as in previous years. Ericsson Credit AB has been added as a commission-ary company in 1999.

The agreement about operations on commission basis between Ericsson Telecom AB and the Parent Company, signed in 1987, has been cancelled as per January 1, 2000.

1 Net sales by market area and business segment

Market Areas			
CONSOLIDATED	1999	1998	1997
Europe*, Middle East, Africa	115,065	97,456	83,490
North America	25,175	18,560	18,973
Latin America	30,263	25,537	21,267
Asia Pacific	44,900	42,885	44,010
Total**	215,403	184,438	167,740
* Of which Sweden	7,551	8,509	9,320
** Of which EU	80,345	71,094	64,244
PARENT COMPANY			
	1999	1998	1997
Europe*, Middle East, Africa	10,907	11,315	11,171
North America	273	202	282
Latin America	2,036	2,362	2,185
Asia Pacific	2,159	2,957	2,579
Total**	15,375	16,836	16,217
* Of which Sweden	2,346	2,062	3,789
** Of which EU	8,047	7,903	6,064

Business Segments

CONSOLIDATED	1999	1998
Network Operators and Service Providers	149,943	123,219
Consumer Products	46,444	45,237
Enterprise Solutions	17,345	14,561
Other operations	16,750	15,170
Less: intersegment sales	-15,079	-13,749
Total	215,403	184,438

Parent Company sales are mainly related to business segment Network Operators and Service Providers.

2 Other operating revenues

CONSOLIDATED	1999	1998	1997
Commissions, license fees and other operating revenues	825	765	1,017
Gains on sales of intangible and tangible assets	307	89	9
Losses on sales of intangible and tangible assets	-244	-303	-159
Gains on sales of investments and operations	1,733	1,208	64
Losses on sales of investments and operations	-397	-764	-65
	2,224	995	866
PARENT COMPANY			
	1999	1998	1997
Commissions, license fees and other operating revenues	3,210	2,735	2,398
Net losses (-) on sales of tangible assets	-55	-69	-30
	3,155	2,666	2,368

3 Financial income and expenses

CONSOLIDATED	1999	1998	1997
Financial Income			
Result from securities and receivables accounted for as fixed assets	1,426	892	491
Other interest income and similar profit/loss items	847	1,336	1,922
Total financial income	2,273	2,228	2,413
Financial Expenses			
Interest expenses and similar profit/loss items	2,971	2,465	2,365
Total financial expenses	2,971	2,465	2,365
Financial Net	-698	-237	48
PARENT COMPANY			
	1999	1998	1997
Financial Income			
Result from participations in subsidiaries			
Dividends*	7,750	4,026	4,326
Net gains on sales	-	468	7
Result from participations in associated companies			
Dividends	122	6	54
Net gains on sales	123	-	2
Result from other securities and receivables accounted for as fixed assets	2	2	1
Other interest income and similar profit/loss items			
Subsidiaries	1,365	892	650
Other**	553	658	1,183
Total financial income	9,915	6,052	6,223
Financial Expenses			
Losses on sales of participations in subsidiaries	109	1	-
Losses on sales of participations in associated companies	-	2	74
Interest expenses and similar profit/loss items			
Subsidiaries	887	1,104	859
Other	1,197	824	888
Other financial expenses	9	11	6
Total financial expenses	2,202	1,942	1,827
Financial Net	7,713	4,110	4,396

* Dividends from Ericsson Cables Holding AB amounting to SEK 1,420 m. in 1998 has been reported net of a SEK 1,420 m. write-down of the investment in the company.

** Of the total amount, SEK -4 m. in 1999, SEK -150 m. in 1998, SEK -105 m. in 1997 is attributable to hedge of net investments in foreign subsidiaries.

Swedish companies' interest expenses on pension liabilities are included in the interest expenses shown above.

4 Income taxes for the year

CONSOLIDATED	1999	1998	1997
Income tax paid	-4,756	-5,214	-6,551
Income tax deferred	398	-195	796
Tax on profit for the year	-4,358	-5,409	-5,755

As explained under Accounting Principles (K), the Company reports deferred taxes attributable to untaxed reserves. The Company also reports deferred taxes attributable to temporary differences between the book values of assets and liabilities and their tax values.

In addition, the Company reports deferred tax assets attributable to unutilized loss carryforwards, if the likelihood that they will be used is deemed to be greater than 50 percent. At December 31, the Company had total unutilized loss carryforwards of SEK 468 m. The final years in which these loss carryforwards can be utilized are shown in the following table. The Parent Company had no unutilized loss carryforwards.

Year of expiration	Amount
2000	88
2001	14
2002	26
2003	33
2004	137
2005 or later	170
	468

The Parent Company's deferred taxes for the period amount to SEK 491 m., SEK -158 m. 1998 and SEK 123 m. 1997.

5 Earnings per share

CONSOLIDATED	1999	1998	1997
Net income	12,130	13,041	11,941
Interest expenses on convertible debentures, net of income taxes	185	265	55
Net income after full conversion	12,315	13,306	11,996
Average number of shares outstanding after full conversion and stock issue including stock dividend element (millions)	1,996.9	1,996.9	1,974.4
Earnings per share	6.17	6.66	6.08

6 Intangible assets

CONSOLIDATED	Licenses, trademarks and similar rights	Patents and purchased research and development	Goodwill	Total	PARENT COMPANY	Patents, licenses, trademarks and similar rights
Acquisitions Cost					Acquisitions Cost	
Opening balance	1,298	505	7,078	8,881	Opening balance	457
Acquisitions	256	745	4,372	5,373	Acquisitions	-
Balances regarding acquired and sold companies	-4	-117	9	-112	Sales/disposals	-
Sales/disposals	-10	52	-65	-23		
Translation difference for the year	-117	-15	-258	-390		
Closing balance	1,423	1,170	11,136	13,729	Closing balance	457
Accumulated Depreciation					Accumulated Depreciation	
Opening balance	-1,144	-424	-959	-2,527	Opening balance	-379
Depreciation for the year	-136	-30	-684	-850	Depreciation for the year	-22
Balances regarding acquired and sold companies	3	122	2	127	Sales/disposals	-
Sales/disposals	8	-83	44	-31		
Translation difference for the year	110	10	-20	100		
Closing balance	-1,159	-405	-1,617	-3,181	Closing balance	-401
Total	264	765	9,519	10,548	Total	56

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Tangible assets

	Land and buildings	Machinery	Other equipment	Construction in process and advance payments	Total
CONSOLIDATED					
Acquisitions Cost					
Opening balance	9,441	14,438	22,386	1,210	47,475
Acquisitions	537	2,401	4,034	2,149	9,121
Balances regarding acquired and sold companies	-53	195	143	24	309
Sales/disposals	-29	-1,435	-1,901	-60	-3,425
Reclassifications	342	691	642	-1,675	-
Translation difference for the year	-165	-179	-304	-20	-668
Closing balance	10,073	16,111	25,000	1,628	52,812
Accumulated Depreciation					
Opening balance	-2,183	-8,440	-14,799	-	-25,422
Depreciation for the year	-343	-2,442	-3,730	-	-6,515
Balances regarding acquired and sold companies	-	7	172	-	179
Sales/disposals	3	1,114	1,827	-	2,944
Reclassifications	-2	-335	337	-	-
Translation difference for the year	96	116	203	-	415
Closing balance	-2,429	-9,980	-15,990	-	-28,399
Accumulated Revaluations, Net					
Opening balance	461	-	2	-	463
Revaluations for the year	-	-	-	-	-
Depreciation for the year on revaluations	-53	-	-	-	-53
Sales/disposals	-83	-	1	-	-82
Translation difference for the year	-22	-	-	-	-22
Closing balance	303	-	3	-	306
Total	7,947	6,131	9,013	1,628	24,719
PARENT COMPANY					
Acquisitions Cost					
Opening balance	2,017	523	1,576	291	4,407
Acquisitions	1	2	142	224	369
Sales/disposals	-1,744	-100	-542	-175	-2,561
Reclassifications	92	0	130	-222	0
Closing balance	366	425	1,306	118	2,215
Accumulated Depreciation					
Opening balance	-463	-398	-1,078	-	-1,939
Depreciation for the year	-46	-45	-205	-	-296
Sales/disposals	446	65	331	-	842
Closing balance	-63	-378	-952	-	-1,393
Accumulated Revaluations, Net					
Opening balance	157	-	-	-	157
Depreciation for the year on revaluations	-4	-	-	-	-4
Sales/disposals	-147	-	-	-	-147
Closing balance	6	-	-	-	6
Total	309	47	354	118	828

During the year the Parent Company has sold to other Swedish Ericsson group companies, land, buildings and other equipment with a total book value of SEK 1,662 m.

EQUITY IN ASSOCIATED COMPANIES

Opening balance	2,777
Share in earnings	250
Taxes	-109
Translation difference for the year	-28
Dividends	-131
Acquisitions	32
Sales	-79
Closing balance	2,712

Goodwill, net, constitutes SEK 125 m. (79) of the investments.

Dividends received from companies accounted for under the equity method were SEK 12 m. in 1998 and SEK 142 m. in 1997.

PARENT COMPANY	Sub-sidiaries	Asso-ciated com-panies	Other invest-ments
Investments			
Opening balance	19,262	974	46
Acquisitions and stock issues	3,426	94	6
Shareholders' contribution	1,789	-	-
Revaluations for the year	-	-	1
Write-downs	-51	-	-
Reclassifications	3	-3	-
Sales	-65	-26	-
Closing balance	24,364	1,039	53

CONSOLIDATED**Acquisitions Cost**

	Other invest-ments	Long term customer finan-cing	Other long-term receiv-ables
Opening balance	1,456	7,582	2,926
Acquisitions/credits granted	587	8,326	2,844
Sales/repayments	-270	-6,307	-754
Translation difference for the year	-31	-88	84
Closing balance	1,742	9,513	5,100

Accumulated Revaluations

Opening balance	21	-	-
Closing balance	21	-	-

Accumulated Write-Downs ¹

Opening balance	-39	-1,645	-24
Write-downs for the year	-12	-3,847	-62
Sales/repayments	39	2,656	-47
Translation difference for the year	-	-20	5
Closing balance	-12	-2,856	-128

Total 1,751 6,657 4,972 ²

¹ Write-Downs are included in Selling expenses due to the close relation to operations.

² Of which deferred tax assets SEK 964 m. (SEK 789 m. 1998).

PARENT COMPANY	Long-term customer financing	Other long-term receivables
-----------------------	-------------------------------------	------------------------------------

Acquisitions Cost

Opening balance	285	127
Acquisitions/credits granted	8,017	2,052
Sales/repayments	-230	-50
Closing balance	8,072	2,129

Accumulated Write-Downs

Opening balance	-5	-
Acquired allowances	-921	-
Write-downs for the year	-826	-
Closing balance	-1,752	-
Total	6,320	2,129

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Investments

The following listing shows certain shareholdings owned directly and indirectly by the Parent Company. A complete listing of shareholdings, prepared in accordance with the Swedish Annual Accounts Act and filed with the Swedish

Patent and Registration Office, may be obtained upon request to:

Telefonaktiebolaget LM Ericsson, Corporate Financial Control, SE-126 25 Stockholm, Sweden.

SHARES DIRECTLY OWNED BY THE PARENT COMPANY

Type	Company	Reg. No.	Domicile	Percentage of ownership	Par value	Carrying value	
Subsidiaries							
I	Ericsson Utvecklings AB	556137-8646	Sweden	100	10	17	
I	Ericsson Business Networks AB	556090-3212	Sweden	100	360	335	
I	Ericsson Microwave Systems AB	556028-1627	Sweden	100	30	151	
I	Ericsson Radio Systems AB	556056-6258	Sweden	100	50	636	
I	Ericsson Telecom AB	556251-3258	Sweden	100	-	-	
I	EHPT Sweden AB	556381-7609	Sweden	60	97	108	
I	Ericsson Mobile Communications AB	556251-3266	Sweden	100	361	516	
I	Ericsson Radio Access AB	556250-2046	Sweden	100	20	41	
I	Ericsson Sverige AB	556329-5657	Sweden	100	100	100	
I	Ericsson Business Consulting AB	556250-9454	Sweden	100	85	102	
I	Ericsson Software Technology AB	556212-7398	Sweden	100	1	67	
II	SRA Communication AB	556018-0191	Sweden	100	47	145	
II	AB Aulis	556030-9899	Sweden	100	14	6	
II	Ericsson Cables Holding AB	556044-9489	Sweden	100	455	969	
II	LM Ericsson Holding AB	556381-7666	Sweden	100	105	1,122	
III	Ericsson Treasury Services AB	556329-5673	Sweden	100	-	2	
III	Ericsson Credit AB	556326-0552	Sweden	100	5	5	
	Other		Sweden	-	-	710	
I	Ericsson Austria AG		Austria	100	60	662	
I	LM Ericsson A/S		Denmark	100	90	216	
I	Oy LM Ericsson Ab		Finland	100	80	195	
II	Ericsson France S.A.		France	100	144	485	
I	Ericsson GmbH		Germany	100	39	341	
I	Ericsson Communications Systems Hungary Ltd.		Hungary	100	800	48	
III	Ericsson Treasury Ireland Ltd.		Ireland	100	81	3,924	
II	Ericsson S.p.A.		Italy	72	18,421	105	
I	Ericsson A/S		Norway	100	156	194	
I	Ericsson Corporatio AO		Russia	100	950	4	
I	Ericsson AG		Switzerland	100	-	-	
II	Ericsson Holding Ltd.		United Kingdom	100	74	757	
	Other	Europe (excluding Sweden)		-	-	103	
II	Ericsson Holding II Inc.		United States	88 ¹⁾	-	10,591	
I	Cía Ericsson S.A.C.I.		Argentina	100	5	10	
I	Teleindustria Ericsson S.A.		Mexico	100	n/a	572	
	Other	United States, Latin America		-	-	134	
II	Teleric Pty Ltd.		Australia	100	20	99	
I	Beijing Ericsson Mobile Communication Co. Ltd.		China	25 ²⁾	5	36	
I	Ericsson Ltd.		China	100	2	2	
I	Nanjing Ericsson Communication Co. Ltd.		China	51	11	76	
I	Ericsson Communication Private Ltd.		India	100	525	105	
I	Ericsson Telecommunications Sdn. Bhd.		Malaysia	70	2	4	
I	Ericsson Telecommunications Pte. Ltd.		Singapore	100	-	1	
I	Ericsson Taiwan Ltd.		Taiwan	80	160	19	
I	Ericsson (Thailand) Ltd.		Thailand	49 ³⁾	15	4	
	Other	Other countries		-	-	645	
					Total	-	24,364
Associated Companies							
III	AB LM Ericsson Finans	556008-8550	Sweden	90 ⁴⁾	29	41	
III	Ericsson Project Finance AB	556058-5936	Sweden	91 ⁵⁾	425	510	
I	Ericsson Nikola Tesla		Croatia	49	196	330	
	Other			-	-	158	
					Total	-	1,039

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Investment,
continued

SHARES OWNED BY SUBSIDIARIES

Type	Company	Reg. No.	Domicile	Percentage of ownership
Subsidiaries				
I	Ericsson Cables AB	556000-0365	Sweden	100
I	Ericsson Components AB	556577-4469	Sweden	100
I	Ericsson S.A.		France	100
I	MET S.A.		France	100
I	LM Ericsson Ltd.		Ireland	100
I	Ericsson Telecomunicazioni S.p.A.		Italy	72
II	Ericsson Holding International B.V.		The Netherlands	100
II	Ericsson Holding Netherland B.V.		The Netherlands	100
I	Ericsson Telecomunicatie B.V.		The Netherlands	100
I	Ericsson España S.A.		Spain	100
I	Ericsson Ltd.		United Kingdom	100
I	Ericsson Mobile Communications (U.K.) Ltd.		United Kingdom	100
I	Ericsson Communications Inc.		Canada	100
I	Advanced Computer Communications Inc.		USA	100
I	Ericsson Inc.		USA	100
I	Ericsson NetQual Inc.		USA	100
I	Ericsson WebCom Inc.		USA	100
I	Ericsson Wireless Communication Inc.		USA	100
I	Ericsson IP Infrastructure Inc.		USA	100
I	Ericsson Telekomunikasyon A.S.		Turkey	100
I	Ericsson Telecomunicações S.A.		Brazil	98
I	Ericsson Telecom S.A. de C.V.		Mexico	100
I	Nippon Ericsson K.K.		Japan	90
I	Ericsson Mobile Communications Sdn Bhd Malaysia		Malaysia	100
I	Ericsson Australia Pty. Ltd.		Australia	100
Associated Companies				
I	Symbian Ltd.		United Kingdom	21

KEY TO TYPE OF COMPANY

I Manufacturing, distributing and development companies	1 Through subsidiary holdings, total holdings amount to 100% of Ericsson Holding II Inc.
II Holding companies	2 Through subsidiary holdings, total holdings amount to 49% of Beijing Ericsson Mobile Communications Co. Ltd., but the voting power is in excess of 50%.
III Finance companies	3 Through subsidiary holdings, total holdings amount to 100% of Ericsson (Thailand) Ltd.
	4 Voting power is 40%.
	5 Voting power is 49%.

The subsidiary, Ericsson S.p.A., is listed on the Milan stock exchange in Italy.

Ericsson's share of the market value as per December 31, 1999, was SEK 9,041 m.

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Inventories

	Consolidated		Parent Company	
	1999	1998	1999	1998
Raw material, components and consumables	13,324	10,696	105	388
Manufacturing work in process	1,823	2,926	-	30
Finished products and goods for resale	1,972	4,356	104	80
Contract work in process	13,398	11,643	774	1,152
Less advances from customers	-4,816	-2,648	-31	-43
Inventories, net	25,701	26,973	952	1,607

11 Accounts receivable – trade

	Consolidated		Parent Company	
	1999	1998	1999	1998
Notes and accounts receivable	63,380	53,775	2,292	2,535
Receivables from associated companies	204	125	110	9
	63,584	53,900	2,402	2,544

Allowance for doubtful accounts amounting to SEK 2,550 m. (2,308) and SEK 479 m. (369) in the Parent Company which has reduced the amounts shown above, includes amounts for estimated losses based on commercial risk evaluations. The allowance does not include provisions for potential losses of a political nature.

12 Receivables and payables – subsidiaries

PARENT COMPANY	1999	1998
Long-Term Receivables*		
Financial receivables	17,925	12,329
Current Receivables		
Commercial receivables	2,989	2,398
Financial receivables	19,347	16,219
	22,336	18,617
Long-Term Liabilities *		
Financial liabilities	3,454	2,821
Current Liabilities		
Commercial liabilities	2,296	1,480
Financial liabilities	23,305	15,968
	25,601	17,448

* Including non-interest bearing receivables and liabilities, net, amounting to SEK 11,772 m. (8,191). Interest-free transactions involving current receivables and liabilities may also arise at times.

13 Other receivables

	Consolidated		Parent Company	
	1999	1998	1999	1998
Receivables in associated companies	2,358	3,057	1,828	2,907
Prepaid expenses	3,231	1,990	283	190
Accrued revenues	3,083	1,695	651	272
Advance payments to suppliers	887	704	15	1
Deferred tax assets	3,413	3,275	-	-
Other	18,255	11,868	6,407	4,248
	31,227	22,589	9,184	7,618

14 Stockholders' equity

Capital stock

Capital stock at December 31, 1999, consisted of the following:

	Number of shares outstanding	Aggregate par value
A shares (par value SEK 2.50)	164,054,660	410
B shares (par value SEK 2.50)	1,793,083,861	4,483
	1,957,138,521	4,893

The capital stock of the Company is divided into two classes: Class A shares (par value SEK 2.50) and Class B shares (par value SEK 2.50). Both classes have the same rights of participation in the net assets and earnings of the Company. Class A shares, however, are entitled to one vote per share while Class B shares are entitled to one thousandth of one vote per share.

Reserves not available for distribution

In accordance with statutory requirements in Sweden and certain other countries in which the Company is operating, restricted reserves, not available for distribution, are reported.

According to the Swedish Annual Accounts Act, tangible and financial assets may be revalued, provided they have a reliable and lasting value significantly greater than book value. Revaluation amounts must either be used for stock issue/stock split or be appropriated to a revaluation reserve. When assets are sold or discarded the revaluation reserve shall be reduced correspondingly.

Cumulative translation adjustments

Opening, balance	288
Changes in cumulative translation adjustment	-2,403
Closing balance	-2,115

Changes in cumulative translation adjustments include change in cumulative translative adjustments (including goodwill) in Brazil, SEK -2,622 m. change regarding recalculation of goodwill in local currency (excluding goodwill in Brazil), SEK 393 m., net gain/loss (-) from hedging of investments in foreign subsidiaries, SEK 38 m. (SEK -77 m. in 1998) and SEK 1 m. (SEK 94 m. in 1998) from sold/liquidated companies.

Currency gains/losses resulting from translation of financial statements of integrated companies are included in the following items in the consolidated income statement:

	1999	1998
Cost of sales	65	34
Financial income	-11	14
Taxes	-3	-2
	51	46

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continued

Changes in stockholders' equity

CONSOLIDATED	Capital stock	Equity proportion reserve	Other restricted reserves	Restricted equity	Non-restricted equity	Total
January 1, 1999	4,878	1,275	26,778	32,931	30,181	63,112
Conversion of debentures	15	-	269	284	-	284
Capital discount	-	-	-7	-7	-	-7
Proceeds from unclaimed stock dividend shares	-	-	1	1	-	1
Dividends paid	-	-	-	-	-3,905	-3,905
Revaluation of fixed assets	-	-	-36	-36	-	-36
Transfer between non-restricted and restricted reserves	-	14	6,727	6,741	-6,741	-
Changes in cumulative translation adjustments	-	-	-2,403	-2,403	-	-2,403
Net income 1999	-	-	-	-	12,130	12,130
December 31, 1999	4,893	1,289	31,329	37,511	31,665	69,176

Of retained earnings, SEK 65 m. will be appropriated to reserves not available for distribution, in accordance with the proposals of the respective companies' boards of directors. In evaluating the consolidated financial position, it should be noted that earnings in foreign companies may be subject to taxation when transferred to Sweden and that, in

some instances, such transfers of earnings may be limited by currency restrictions.

Consolidated unrestricted retained earnings are translated at the year-end exchange rate. Cumulative translation adjustments have been distributed among unrestricted and restricted stockholders' equity.

PARENT COMPANY	Capital stock	Share premium reserve¹	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Other retained earnings	Non-restricted equity	Total
January 1, 1999	4,878	1,687	95	9,680	16,340	100	14,464	14,564	30,904
Conversion of debentures	15	269	-	-	284	-	-	-	284
Capital discount	-	-15	-	-	-15	-	-	-	-15
Reversal of revaluation reserve	-	-	-75	-	-75	-	75	75	-
Proceeds from unclaimed stock dividend shares	-	-	-	1	1	-	-	-	1
Dividends paid	-	-	-	-	-	-	-3,905	-3,905	-3,905
Net income 1999	-	-	-	-	-	-	5,566	5,566	5,566
December 31, 1999	4,893	1,941	20	9,681	16,535	100	16,200	16,300	32,835

¹ 1996 and prior years' share premium is included in Statutory reserve.

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Untaxed reserves

PARENT COMPANY 1999	Jan. 1	Allocations/withdrawals(-)	Dec. 31
Accumulated Depreciation In Excess Of Plan			
Intangible assets	11	-	11
Tangible assets	483	-371	112
Total accumulated depreciation in excess of plan	494	-371	123
Other Untaxed Reserves			
Tax equalization reserve	254	-127	127
Reserve for doubtful receivables	1,120	2,289	3,409
Income deferral reserve	1,218	529	1,747
Total other untaxed reserves	2,592	2,691	5,283
Total Untaxed Reserves	3,086	2,320	5,406

Changes in other untaxed reserves in the Parent Company in 1998 consisted of the following: withdrawal of tax equalization reserve, SEK 127 m. (110); allocation to reserve for doubtful receivables, SEK 53 m. (270) and allocation to income deferral reserve SEK 354 m. (344).

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Provisions

	Consolidated		Parent Company	
	1999	1998	1999	1998
Pensions and similar commitments	8,398	8,056	3,037	2,900
Deferred taxes	1,220	2,388	-	-
Other provisions	12,934	11,840	2,476	831
	22,552	22,284	5,513	3,731

The pension liabilities include the Parent Company's and other Swedish companies' obligations in the amount of SEK 6,483 m. (5,902) in accordance with an agreement with the Pension Registration Institute (PRI), which are covered by a Swedish law on safeguarding of pension commitments. The Parent Company's pension liabilities include an obligation in the amount of SEK 2,788 m. (2,717) in accordance with its agreement with PRI.

Other provisions include amounts for warranty commitments, risks regarding off-balance sheet customer financing, restructuring and changes in technique and markets.

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Long-term liabilities

	Consolidated		Parent Company	
	1999	1998	1999	1998
Notes and bond loans (maturing 2001–2003)	17,486	4,470	17,486	4,470
Convertible debentures (maturing 2000)	-	725	-	679
(maturing 2003)	5,453	5,516	5,453	5,516
Liabilities to financial institutions	1,448	1,898	370	320
Liabilities to subsidiaries	-	-	3,454	2,821
Other	567	459	53	21
	24,954	13,068	26,816	13,827

Consolidated long-term liabilities maturing five years or more after the balance sheet date:

Notes and bond loans and liabilities to financial institutions	4,669
Other	138
	4,807

The Parent Company has two convertible debenture loans outstanding. One, issued in 1993, with preferential rights for Ericsson shareholders, was in the amount of SEK 2,172 m. and carries interest of 4.25 percent. The debentures are convertible up to and including May 31, 2000, at a conversion price after stock split, bonus issue and adjustments for new stock issue, of SEK 36.10 per B share. During 1999 debentures in the amount of SEK 195 m. were converted to 5,411,111 B shares.

Upon conversion of all outstanding debentures, there would be a further increase of 14,676,957 in the number of shares. During the period January 1 to February 7, 2000, additional debentures may be converted to B shares carrying right to dividend for 1999.

In the 1993 consolidated accounts, the equity component SEK 654 m. – calculated as the difference between the convertible debenture interest rate, 4.25 percent, at expiration of the subscription period on July 1, 1993 and the Company's alternative interest rate, 10.55 percent – has been credited to the Statutory reserve as addition to capital in the Parent Company only. This capital discount is charged to income as interest expense under the duration of the loan.

A convertible debenture loan in the amount of SEK 6,000 m. was issued during 1997. Of the total amount, convertible debentures amounting to SEK 4,859 m. were sold to Ericsson employees, and debentures amounting to SEK 1,141 were sold to the wholly owned subsidiary AB Aulis. The debentures held by AB Aulis are offered at market price to new employees. The debentures, which carry an interest defined as STIBOR¹ less 1.5 percent, are convertible to B shares from November 19, 1999, up to and including May 30, 2003, at a conversion price, after the 1998 bonus issue, of SEK 236 per share.

In the 1997 consolidated accounts, a capital discount amounting to SEK 816 m. has been calculated, considering a market interest rate of 6.87 percent. The capital discount has been credited to the Statutory reserve as an addition to capital in the consolidated financial statements as well as in the Parent Company (Share premium reserve) in accordance with the Swedish Financial Accounting Standards Council's recommendation RR03. The capital discount is charged to income as interest expense under the duration of the loan. The capital discount is re-calculated annually, based on STIBOR interest rate changes.

During 1999 debentures in the amount of SEK 89 m. were converted to 375,020 B shares. Upon conversion of all outstanding debentures, there would be a further increase of 25,048,681 in the number of shares. During the period January 1 through January 21, 2000, additional debentures, carrying rights to dividends for 1999, were converted to 228,975 B shares.

¹ Stockholm Inter Bank Offered Rate

18 Current liabilities to financial institutions and unused lines of credit

Liabilities to financial institutions consist of bank overdrafts, bank loans and other short-term financial loans. Unused portions of short-term lines of credit for the Company amounted to SEK 5,431 m. and for the Parent Company SEK 46 m. In addition, the Parent Company had unused long-term lines of credit amounting to SEK 8,527 m.

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Other current liabilities

	Consolidated		Parent Company	
	1999	1998	1999	1998
Liabilities to associated companies	823	598	738	546
Accrued expenses	27,233	20,716	1,691	1,600
Prepaid revenues	966	939	29	4
Other	12,280	9,472	3,409	3,132
	41,302	31,725	5,867	5,282

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Assets pledged as collateral

Consolidated	Liabilities to financial institutions		Advances from customers	Total 1999	Total 1998
	Real estate mortgages	-	36	36	249
Chattel mortgages	-	-	-	369	
Bank deposits	1,824	-	1,824	212	
Other	208	-	208	373	
	2,032	36	2,068	1,203	
Parent Company					
Chattel mortgages	-	-	-	160	
Bank deposits	1,824	-	1,824	208	
Other	21	-	21	34	
	1,845	-	1,845	402	

At December 31, 1999, the Parent Company had no pledged assets in favor of subsidiaries. However, under certain conditions, it may pledge collateral for certain subsidiaries' pension obligations.

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Contingent liabilities

	Consolidated		Parent Company	
	1999	1998	1999	1998
Guarantees				
for customer financing	7,497	4,034	6,756	2,155
for accounts receivable	1,104	-	1,000	-
Other contingent liabilities	1,526	4,029	3,855	4,813
	10,127	8,063	11,611	6,968

Of the guarantees assumed by the Parent Company, SEK 4,582 m. in 1999 and SEK 4,566 m. in 1998 are related to subsidiaries.

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Statement of cash flows

Interest paid in 1999 was SEK 2,560 m. (1,425) and interest received was SEK 1,516 m. (1,969). Income taxes paid were SEK 5,563 m. (6,258).

Non-cash transaction under "Cash flow from operating activities" not reported separately is current year increase in pension liabilities of SEK 342 m. (SEK 855 m. in 1998 and SEK 945 m. in 1997).

Non-cash items in "financing activities"

In 1999, conversions of debentures were made for SEK 15 m. (1998 SEK 4 m., 1997 SEK 961 m.).

Acquisitions/sales of other investments

Cash	62
Goodwill	4,297
Intangible assets	750
Other net assets	203
Purchase price for acquired subsidiaries	-5,312
Cash in acquired subsidiaries	62
Other acquisitions	-592
Sales	1,074
Acquisitions/sales, net	-4,768

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Leasing

Leasing obligations

Assets under Financial leases, recorded as tangible assets, consists of:

Financial Leases	1999	1998
Acquisitions Cost		
Land and buildings	291	321
Machinery	26	25
Other equipment	215	41
	532	387
Accumulated Depreciation		
Land and buildings	141	146
Machinery	26	25
Other equipment	71	25
	238	196
Net value	294	191

At December 31, 1998, future payment obligations for leases were distributed as follows:

	Financial leases	Operating leases
2000	107	1,995
2001	95	1,629
2002	39	1,311
2003	17	991
2004	16	873
2005 and later	120	2,902
	394	9,701

Expenses for the year for leasing of assets were SEK 1,647 m. (SEK 1,770 m. in 1998 and SEK 1,659 m. in 1997), of which variable cost SEK 86 m.

Leasing income

Some consolidated companies lease equipment, mainly telephone exchanges, to customers. These leasing contracts vary in length from 1 to 14 years.

The acquisition value of assets leased to others under Operating leases amounted to SEK 523 m. at December 31, 1999 (December 31, 1998: SEK 517 m.). Accumulated depreciation amounted to SEK 422 m. and net investments to SEK 101 m. at December 31, 1999 (December 31, 1998: SEK 446 m. and SEK 71 m., respectively).

Net investment in Sales-type leases and Financial leases amounted to SEK 17 m. at December 31, 1999 (December 31, 1998: SEK 36 m.).

Future payments receivable for leased equipment are distributed as follows:

	Sales-type and Financial leases	Operating leases
2000	15	26
2001	2	32
2002	1	12
2003	-	7
2004	-	4
2005 and later	-	-
	18	81
Less: interest	-1	
Net investment	17	81

24 Reconciliation to accounting principles generally accepted in the U.S.

Elements of the Company's accounting principles which differ significantly from generally accepted accounting principles in the United States (U.S. GAAP) are described below:

(A) Revaluation of Assets

Certain tangible assets have been revalued at amounts in excess of cost. Under certain conditions, this procedure is allowed in accordance with Swedish accounting practice. Revaluation of assets in the primary financial statements is not permitted under U.S. GAAP. Depreciation charges relating to such items have been reversed to income.

(B) Capitalization of Software Development Costs

In accordance with Swedish accounting principles, software development costs are charged against income when incurred.

The Company practices U.S. GAAP FAS No. 86 "Accounting for the Cost of Computer Software to be Sold, Leased or Otherwise Marketed" and effective 1999, it has adopted SOP 98-1, "Accounting for the costs of Computer Software Developed or Obtained for Internal use". According to these statements development costs are capitalized after the product involved has reached a certain degree of technological feasibility. Capitalization ceases and amortization begins when the product is ready for its intended use. The company has adopted an amortization period for capitalized software to be sold of three years and for capitalized software for internal use of three to five years.

Development costs for software to be sold	1999	1998	1997
Capitalization	7,898	7,170	5,232
Amortization	-4,460	-3,824	-3,934
Write-downs	-989	-	-
	2,449	3,346	1,298

Write-downs of previously capitalized software costs amounting to SEK 989 m. has been made in 1999 since one project has been reclassified to non-commercial.

Development costs for software for internal use	1999	1998	1997
Capitalization	1,463	-	-
Amortization	-152	-	-
	1,311	-	-

The amortization is low compared to the capitalization since a couple of projects are not ready for their intended use and some finished projects have been amortized only for a short period of time.

(C) Capital Discount on Convertible Debentures

In accordance with Swedish accounting principles, the 1997/2003 convertible debenture loan and its nominal interest payments are valued at present value, based on market interest rate. The difference from the nominal amount, the capital discount, is credited directly to equity. (Please refer to note 17 for details.) In accordance with U.S. GAAP, convertible debenture loans are reported as liabilities at nominal value. When calculating income and equity in accordance with U.S. GAAP, the effects of the capital discount are reversed.

(D) Other

Hedge accounting

Ericsson has currency forward exchange contracts and options as hedges of firm commitments as well as budgeted cash flows regarding sales and purchases. According to Swedish accounting practice, both kinds are considered hedges and are not valued at market. According to U.S. GAAP, contracts and options not related to firm commitments are valued at market.

Business combination adjustments

When applying Swedish accounting practice, the Company has shown negative goodwill as a deferred credit which is released to income over on average 5–10 years (see also Notes to the financial statements, Accounting Principles (B) and Note 6). In accordance with U.S. GAAP, negative goodwill should first be applied as a reduction of noncurrent assets acquired and be amortized over the economic life of each asset.

In-process research and development

In 1999, the Company acquired technology including in-process research and development. The in-process research and development was valued at SEK 233 m. Since this technology has not reached technological feasibility and has no alternative use it was charged to expense under U.S. GAAP.

Tax on undistributed earnings in associated companies

In accordance with Swedish accounting practice, no accrual is made for withholding taxes on undistributed profits of companies which are consolidated applying the equity accounting method. Under U.S. GAAP, the company holding shares should accrue for withholding taxes on possible repatriation of profits.

Sale-leaseback of property

In 1987, group companies sold a property which was leased to subsidiaries under contracts expiring in 1997.

Under U.S. GAAP, the sale during 1987 is considered a financing arrangement and the gains are deferred and the proceeds are therefore treated as a liability. In accordance with Swedish accounting practice at the time, no deferral of profit had to be made if the sale price did not exceed the market value and if leasing costs did not exceed normal market leasing rates.

During 1997, Ericsson waived its option to repurchase and canceled the rental contract on the property. Consequently, the income portion of the sales proceeds were recognized in income for the period in accordance with U.S. GAAP.

(E) Pensions

The Company participates in several pension plans, which in principle cover all employees of its Swedish operations as well as certain employees in foreign subsidiaries. The Swedish plans are administered by an institution jointly established for Swedish industry (PRI) in which most companies in Sweden participate. The level of benefits and actuarial assumptions are established by this institution and, accordingly, the Company may not change these.

Effective 1989, the Company has adopted FAS No. 87, Employer's Accounting for Pensions, when calculating income according to U.S. GAAP. The effects for the Company of using this recommendation principally relate to the actuarial assumptions, and that the calculation of the obligation should reflect future compensation levels. The difference relative to pension liabilities already booked at the introduction in 1989 is distributed over the estimated remaining service period.

(F) Capitalization of Interest Expenses

In accordance with Swedish accounting practice, the Company has expensed interest costs incurred in connection with the financing of expenditures for construction of tangible assets. Such costs are to be capitalized in accordance with U.S. GAAP, and depreciated as the assets concerned. Capitalization amounting to SEK 81 m. (55) has increased income and amortization amounting to SEK 151 m. (122) was charged against income for the period when calculating income in accordance with U.S. GAAP.

(G) Deferred Income Taxes

Deferred tax is calculated on all U.S. GAAP adjustments to income.

Application of U.S. GAAP as described above would have had the following approximate effects on consolidated net

income and stockholders' equity. It should be noted that, in arriving at the individual items increasing or decreasing reported net income, consideration has been given to the effect of minority interests.

ADJUSTMENT OF NET INCOME	1999	1998	1997
Items increasing reported net income			
Depreciation on revaluation of assets	28	33	22
Capitalization of software development costs			
to be sold	2,449	3,346	1,298
for internal use	1,311	-	-
Capital discount on convertible debentures	116	120	13
Other	942	-191	-207
	4,846	3,308	1,126
Items decreasing reported income			
Pensions	416	-211	72
Capitalization of interest expenses, net after depreciation	70	67	10
Deferred income taxes	1,251	954	137
	1,737	810	219
Net increase in net income	3,109	2,498	907
Net income as reported in the consolidated income statements	12,130	13,041	11,941
Approximate net income in accordance with U.S. GAAP	15,239	15,539	12,848
Reported income per share, fully diluted	6.17	6.66	6.08
Approximate income per share in accordance with U.S. GAAP, fully diluted	7.68	7.87	6.53

(H) Unrealized gains and losses on available-for-sales securities

In accordance with Swedish accounting principles investments are valued at lower of cost and market. Under U.S. GAAP securities available for sale that have readily determinable fair values shall be measured at fair value in accordance with FAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities". Unrealized gains and losses shall be included in other comprehensive income.

(I) Comprehensive income

The company has presented comprehensive income in accordance with FAS No 130, "Reporting Comprehensive Income". Comprehensive income includes net income and other changes in equity, except those resulting from transactions with owners.

COMPREHENSIVE INCOME

	1999	1998	1997
Approximate net income in accordance with U.S. GAAP	15,239	15,539	12,848
Other comprehensive income			
Cumulative translation adjustments	-2,442	732	904
Cumulative translation adjustments for sold/liquidated companies	1	94	-30
Hedging for investments	53	-107	-86
Unrealized gains and losses on available-for-sale securities	8,527	-	-
Minimum pension liability	-47	-	-
Deferred income taxes	-2,403	30	24
Total other comprehensive income	3,689	749	812
Approximate comprehensive income in accordance with U.S. GAAP	18,928	16,288	13,660

ADJUSTMENT OF EQUITY	1999	1998	1997
Increases			
Capitalization of software development costs			
to be sold	13,193	10,744	7,398
for internal use	1,311	-	-
Unrealized gains and losses on available-for-sale securities	8,527	-	-
Pensions	422	885	674
Capitalization of interest, net after cumulative depreciation	202	273	339
Other	454	-488	-305
	24,109	11,414	8,106
Reductions			
Revaluation of assets	372	434	425
Capital discount on convertible debentures	566	682	803
Deferred income taxes	6,731	3,092	2,138
	7,669	4,208	3,366
Adjustment of stockholders' equity, net	16,440	7,206	4,740
Reported stockholders' equity	69,176	63,112	52,624
Approximate equity according to U.S. GAAP	85,616	70,318	57,364

ADJUSTMENT OF CERTAIN BALANCE SHEET ITEMS ACCORDING TO U.S. GAAP

SEK m.	As per reported balance sheet		As per U.S. GAAP	
	Dec 31	Dec 31	Dec 31	Dec 31
	1999	1998	1999	1998
Intangible assets	10,548	6,354	24,828	17,098
Tangible assets	24,719	22,516	24,544	22,256
Other investments	1,751	1,438	10,278	1,438
Other receivables	31,227	22,589	33,133	23,745
Minority interest in equity	2,182	2,051	2,177	2,021
Provisions	22,552	22,284	30,489	25,646
Convertible debentures	5,453	6,241	6,019	6,923
Other current liabilities	41,302	31,725	40,902	32,143

Provisions include the tax effect of undistributed earnings in associated companies.

The Company in principle follows FAS No. 95 when preparing the statement of cash flows.

According to FAS No. 95, however, only cash, bank and short-term investments with due dates within 3 months shall be considered cash and cash equivalents, rather than within 12 months. Applying this definition would mean following adjustments of reported cash:

Consolidated, SEK m.	1999	1998	1997	1996
Short-term cash investments, cash and bank, as reported	29,008	18,233	29,127	19,060
Adjustment for items with maturity of 4-12 months	-9,731	-5,978	-15,004	-8,396
Cash and cash equivalents as per U.S. GAAP	19,277	12,255	14,123	10,664

25 Tax assessment values (Sweden)

	Consolidated		Parent Company	
	1999	1998	1999	1998
Land and land improvements	385	383	41	244
Buildings	2,656	2,557	162	1,538

26 Special information regarding the Parent Company

Sales of the Parent Company were SEK 15,375 m. (SEK 16,836 m.), of which exports accounted for 85 (88) percent. Consolidated companies were customers for 67 (62) percent of the Parent Company's sales, while 65 (51) percent of the Company's total purchases of goods and services were from such companies.

Loans totaling SEK 1 m. have been made to a total of 70 employees for the purchase of shares in LM Ericsson's Share Savings Fund.

The Parent Company has guaranteed up to an amount of SEK 5 m. for loans obtained by employees for the purchase of housing and private cars.

27 Average number of employees and remuneration in 1999 and 1998

Average number of employees

CONSOLIDATED	1999			1998		
	Men	Women	Total	Men	Women	Total
Europe, Middle East, Africa	51,716	20,196	71,912	52,365	19,661	72,026
USA and Canada	8,189	3,985	12,174	6,421	3,533	9,954
Latin America	6,571	2,054	8,625	6,279	1,837	8,116
Asia Pacific	7,826	4,429	12,255	7,303	4,086	11,389
	74,302	30,664	104,966	72,368	29,117	101,485
Of which Sweden	30,254	12,939	43,193	28,907	12,647	41,554
Of which EU	47,368	18,868	66,236	48,260	18,446	66,706

PARENT COMPANY	1999			1998		
	Men	Women	Total	Men	Women	Total
Europe, Middle East, Africa	3,232	1,345	4,577	4,571	1,958	6,529
USA and Canada	-	-	-	-	-	-
Latin America	5	1	6	-	-	-
Asia Pacific	-	-	-	-	-	-
	3,237	1,346	4,583	4,571	1,958	6,529
Of which Sweden	2,670	1,269	3,939	4,018	1,892	5,910
Of which EU	2,670	1,269	3,939	4,018	1,892	5,910

Wages and salaries and social security expenses

	Consolidated		Parent Company	
	1999	1998	1999	1998
Wages and salaries	37,068	32,226	1,997	2,254
Social security expenses	11,305	10,952	1,131	1,331
Of which pension costs	2,151	2,605	522	722

Wages and salaries per geographical area

	Consolidated		Parent Company	
	1999	1998	1999	1998
Europe, Middle East, Africa	25,998	23,627	1,996	2,254
USA and Canada	6,360	4,806	-	-
Latin America	1,816	1,642	1	-
Asia Pacific	2,894	2,151	-	-
	37,068	32,226	1,997	2,254
Of which Sweden	14,308	13,301	1,855	2,153
Of which EU	24,415	22,380	1,855	2,153
Board of Directors, President and Corporate Executive Vice Presidents (of which bonus and similar)			60	50
			(6)	(12)

Remuneration in foreign currency has been translated to Swedish kronor at average exchange rates for the year.

Option plans have been implemented as a complementary remuneration to key employees:

Plan	Type	Exercisable	Employees affected
1998	0.7 million 7-year call options issued by third party	1999	500
1999	7-year call options issued by Ericsson (number of options not yet decided)	In 3 lots (30/40/30%) 3-5 years respectively after grant to year 7	2,000
2000	12.2 million 7-year call options issued by Ericsson	In 3 lots, 1/3 per year 1-3 years respectively after grant to year 7	8,000

The options for the 1998 plan were granted in 1999. Grants for the 1999 plan will take place after March 1, 2000 and grants for the 2000-plan were made on January 17, 2000. The 1999 year plan is planned to be hedged by a swap agreement. The 2000 plan is hedged by issuance of Ericsson warrants, which, if fully utilized will have a dilutive effect on earnings per share of 0.7 percent.

Benefits paid to members of the corporate executive team

The Chairman of the Board of Directors received a fee of SEK 1,500,000 during the year. This fee was determined by the Board of Directors within the total amount of Board fees approved by the General Meeting.

Members and deputy members of the Board who are Ericsson employees received no remuneration or benefits other than their entitlements as employees. However, a fee of SEK 900 per meeting was paid to the employee representatives on the Board.

The value of the benefits, to which the present Chief Executive Officer in such his capacity is entitled for 1999, amounts to SEK 6,000,000, for which amount provision has been made. In addition, the CEO has received SEK 462,240 constituting bonus earned 1998 when he was President.

The salary and value of benefits paid to the present company President amount to SEK 8,905,795. Provision has also been made for a bonus of SEK 919,589 earned 1999.

The salary and value of benefits paid to the former President in 1999 amount to SEK 10,253,995, of which SEK 7,142,032 constitute salary, car benefit and other benefits, and SEK 1,348,200 constitute bonus earned during 1998. In addition, the Company has carried pension costs for the former President in 1999 amounting to SEK 3,250,000. Moreover, he is also entitled to agreed severance

NOTES

pay up to July 8, 2001, in an aggregate amount of SEK 10,664,303.

The following rules regarding severance pay and pension apply to persons, including the President, who are member of the corporate executive team.

Severance payments are not made if an employee resigns voluntarily. The same applies if employment is terminated as a result of flagrant disregard of responsibilities. Notice given by the employee, when such significant structural changes or other events occur that, in a determining manner, affect the content of work or the condition for respective positions, is equated with notice of termination served by the company. Upon termination of employment, severance pay amounting to two years' salary is normally paid. In certain cases, if the employee is 50 years of age or older, 40 to 60 percent of the employees final salary, depending on age, is paid annually to age 60. Such payments are made currently during the pertinent period and cease at age 60.

The basic security in the pension arrangements for members of the corporate executive team consists of affiliation with the so-called ITP plan or corresponding arrangements.

The employee's pension is premium-based. For the portion of a salary in excess of 20 basis amounts, the company pays to a capital insurance an amount that is related both to the age of the executive and to the executive's salary plus a standard bonus. Most of the member of the corporate executive team are already covered by this system.

As described in earlier Annual Reports, the following

principles apply to other members of the corporate executive team:

The benefits due under the so-called ITP plan apply, supplemented by the portion of salary and bonus exceeding ITP, from age 65. In addition, the employee has the right to retire with a pension at age 60, at the earliest. Following which the pension is based on the current pensionable salary at retirement and amounts to between 40 and 70 percent of this salary. Subject to certain conditions, this pension is also paid if the employee is entitled to severance pay at age 60.

Costs of pensions for the former and present Presidents and eight present and two former executive vice presidents amounted to SEK 50,7 m. during the year.

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Fees to auditors

	Price- waterhouse- Coopers	KPMG	Others	Total
Fees to auditors	31,895	3,835	7,145	42,875
Fees for other services	101,183	17,679	-	-
	133,078	21,514	-	-

Audit report

To the general meeting of the shareholders of Telefonaktiebolaget LM Ericsson (publ) Corporate identity number 556016-0680

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Telefonaktiebolaget LM Ericsson (publ) for the year. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated

accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, January 28, 2000

Carl-Eric Bohlin
Authorized Public Accountant
PricewaterhouseCoopers

Olof Herolf
Authorized Public Accountant
PricewaterhouseCoopers

Thomas Thiel
Authorized Public Accountant

MSEK	1999	1998	1997	1996	1995
Results For The Year					
Net sales	215,403	184,438	167,740	124,266	98,780
Operating margin ¹⁾	17,590	19,273	18,757	10,758	8,164
Financial net	-698	-237	48	412	58
Income before taxes ¹⁾	16,386	18,210	17,218	10,152	7,615
Year-End Position					
Total assets ¹⁾	202,628	167,456	147,440	112,152	90,832
Working capital	66,037	52,978	53,095	36,180	29,394
Capital employed	116,387	92,637	80,165	61,411	51,566
Tangible assets	24,719	22,516	19,225	17,754	15,521
Stockholders' equity ¹⁾	69,176	63,112	52,624	40,456	34,263
– after full conversion ¹⁾	75,159	69,353	59,490	42,269	36,353
Interest-bearing provisions and liabilities	45,020	27,474	23,146	17,545	15,554
Other Information					
Earnings per share, SEK ^{1) 3) 4) 5)}	6.17	6.66	6.08	3.64	2.92
– in accordance with U.S. GAAP, fully diluted ^{2) 3) 5)}	7.68	7.87	6.53	4.08	3.56
Adjusted stockholders' equity per share after full conversion, SEK ^{1) 3) 5)}	38	35	30	22	20
Cash dividends per share, SEK ^{3) 5)}	2.00*	2.00	1.75	1.25	0.88
Shares outstanding – average (in thousands) ^{3) 5)}	1,954,291	1,950,225	1,938,742	1,919,084	1,769,384
Additions to tangible assets	9,085	8,965	7,237	7,188	6,457
Depreciation	6,532	5,545	5,422	4,216	3,614
Research and development – expenses	28,330	25,189	20,906	17,467	15,093
– as percent of net sales	13.2	13.7	12.5	14.1	15.3
Ratios					
Return on equity, percent ¹⁾	18.3	22.5	25.7	19.0	18.9
Return on capital employed, percent ¹⁾	19.0	24.9	29.9	22.4	20.7
Equity ratio, percent ¹⁾	35.2	38.9	38.7	39.1	39.6
Debt-equity ratio ¹⁾	0.6	0.4	0.4	0.4	0.4
Current ratio	1.6	1.6	1.7	1.5	1.6
Statistical Data, Year-End					
Backlog of orders	83,976	78,990	77,499	63,401	48,401
Number of employees					
– Worldwide	103,290	103,667	100,774	93,949	84,513
– Sweden	44,040	44,979	45,360	43,896	42,022

* For 1999, proposed by the Board of Directors.

1) 1991–1992 adjusted for change in accounting principles.

2) From 1991 adjustment is made for 1993 adoption of FAS106, Employers' Accounting for Postretirement Benefits Other Than Pensions and FAS109, Accounting for Income Taxes.

3) 1990–1994 adjusted for stock issue and 4-for-1 stock split.

4) 1990–1995 adjusted for stock dividend element of the stock issue in 1995.

5) 1990–1994 adjusted for stock dividend element of the stock issue in 1995.

6) 1990–1997 adjusted for stock issue 1:1.

Working capital

Current assets less current non-interest-bearing provisions and liabilities.

Capital employed

Capital employed is defined as total assets less non-interest-bearing provisions and liabilities.

Earnings per share

Earnings per share is based on average number of shares per year after full conversion of convertible debentures and after stock dividend element of stock issue, i. e. dilution due to favorable stock issue pricing. Net income according to the Income Statement is adjusted by reversal of interest expense for convertible debentures net of tax.

TEN-YEAR SUMMARY

1994	1993	1992	1991	1990	MSEK
Results For The Year					
82,554	62,954	47,020	45,793	45,702	Net sales
6,553	3,530	1,754	2,282	5,694	Operating margin ¹⁾
-386	8	-204	-189	-163	Financial net
5,610	3,108	1,241	1,595	4,855	Income before taxes ¹⁾
Year-End Position					
72,999	67,490	56,637	50,080	47,167	Total assets ¹⁾
20,899	20,869	20,063	17,497	16,965	Working capital
41,611	40,168	35,842	31,539	27,906	Capital employed
13,678	12,363	11,093	10,477	9,058	Tangible assets
23,302	21,305	17,720	17,050	16,753	Stockholders' equity ¹⁾
25,519	23,512	18,349	17,690	17,398	– after full conversion ¹⁾
16,522	16,868	16,321	12,913	9,366	Interest-bearing provisions and liabilities
Other Information					
2.15	1.54	0.28	0.52	1.71	Earnings per share, SEK ^{1) 3) 4) 5)}
					– in accordance with
2.65	1.86	0.76	0.91	1.98	U.S. GAAP, fully diluted ^{2) 3) 5)}
15	13	11	10	10	Adjusted stockholders' equity
0.69	0.57	0.44	0.44	0.44	per share after full conversion SEK ^{1) 3) 5)}
					Cash dividends per share ^{3) 5)}
					Shares outstanding
1,737,530	1,716,272	1,648,528	1,646,992	1,642,976	– average (in thousands) ^{3) 5)}
5,137	3,805	3,847	3,583	3,448	Additions to tangible assets
3,004	2,651	2,193	1,863	1,572	Depreciation
					Research and development
13,407	10,924	7,377	7,054	4,901	– expenses
16.2	17.4	15.7	15.4	10.7	– as percent of net sales
Ratios					
17.7	14.5	2.8	5.3	20.4	Return on equity, percent ¹⁾
18.2	12.9	9.6	12.0	25.9	Return on capital employed, percent ¹⁾
34.4	34.5	34.5	38.1	39.3	Equity ratio, percent ¹⁾
0.7	0.7	0.8	0.7	0.5	Debt-equity ratio ¹⁾
1.5	1.6	1.6	1.7	1.7	Current ratio
Statistical Data, Year-End					
45,671	45,296	38,050	28,777	30,415	Backlog of orders
					Number of employees
76,144	69,597	66,232	71,247	70,238	– Worldwide
36,984	31,796	29,979	31,244	30,817	– Sweden

For earnings per share accordance with U.S. GAAP, see Note 24 to the financial Statements.

Return on equity

Defined as net income expressed as a percentage of average adjusted stockholders' equity (based on the amounts at January 1 and December 31). Year 1990 adjusted for increases resulting from a reduction in the tax rates used when calculating the equity portion of timing differences.

Return on capital employed

Defined as the total of operating margin plus financial income as a percentage of average capital employed (based on the amounts at January 1 and December 31).

Equity ratio

Defined as the total of stockholder's equity and minority interest in equity of consolidated subsidiaries, expressed as a percentage of total assets.

Debt-equity ratio

Defined as total interest-bearing provisions and liabilities divided by the total of stockholders' equity and minority interest in equity of consolidated subsidiaries.

Current ratio

Current assets divided by the sum of current provisions and liabilities.

BOARD OF DIRECTORS AND PRESIDENT

LARS RAMQVIST

(1938*). Chairman and (as of July 7) CEO. Doctor of Philosophy. Honorary Doctor of Technology. Honorary Doctor of Philosophy. Chairman of the Boards of Skandia and Volvo. Member of the Boards of AstraZeneca and SCA. Member of the Royal Swedish Academy of Sciences, the Royal Swedish Academy of Engineering Sciences and the European Round Table of Industrialists. Member since 1990.
Shares held in Ericsson: B 7,548.
Convertible debentures: 1997/2003: 145,347***.

TOM HEDELIUS

(1939*). Deputy Chairman. Honorary Doctor of Economics. Chairman of the Boards of Handelsbanken, Bergman & Beving, Svenska Le Carbone and the Foundation of Anders Sandrew. Deputy Chairman of Industrivärden. Member of the Boards of Volvo and SCA. Member of SAS Assembly of Representatives. Member since 1991.
Shares held in Ericsson: B 18,154.

MARCUS WALLENBERG

(1956*). Deputy Chairman. President of Investor. Deputy Chairman of Saab. Member of the Boards of Astra, AstraZeneca, Investor, Scania, SEB, Stora Enso, Volvo and the Foundation of Knut and Alice Wallenberg. Member since 1996.
Shares held in Ericsson: B 88,000.

KURT HELLSTRÖM

(1943*). President (from July 7).
Shares held in Ericsson: B 5,000.
Convertible debentures: 1997/2003: 145,347***.
Call options: 5,187.

GÖRAN ENGSTRÖM

(1948*). Employee representative. Member since 1994.
Shares held in Ericsson: B 1,320.
Convertible debentures: 1993/2000: 6,250**. 1997/2003: 99,120***.

JAN HEDLUND

(1946*). Employee representative. Member since 1994.
Convertible debentures: 1997/2003: 75,520***.

GÖRAN LINDAHL

(1945*). Honorary Doctor of Technology. President and CEO of ABB Ltd. Member of the Board of DuPont. Member of the Salomon Smith Barney International Advisory Board. Member since 1999.

PER LINDH

(1957*). Employee representative. Member since 1994.

SVERKER MARTIN-LÖF

(1943*). President and CEO of SCA. Member of the Boards of the Federation of Swedish Industries and the Swedish Forest Industries Ass. Member since 1991.
Shares held in Ericsson: B 2,000.

LARS-ERIC PETERSSON

(1950*). President and CEO of Skandia. Chairman of the Boards of the National Agency for Higher Education, the Swedish Insurance Federation and the Swedish Coalition of Service Industries. Member of the Boards of Pohjola, the Swedish Employers' Confederation and the Federation of Swedish Industries. Member since 1996.
Shares held in Ericsson: B 1,000.
 (Lars-Eric Petersson resigned from the Board of Directors in Januari 2000.

CLAS REUTERSKIÖLD

(1939*). President and CEO of Industrivärden. Member of the Boards of Handelsbanken, SCA, Sandvik and Skanska. Member since 1994.
Shares held in Ericsson: B 10,000.

PETER SUTHERLAND

(1946*). Honorary Doctor. Chairman of the Board of Goldman Sachs International, Co-Chairman of BP Amoco. Member of the Boards of Investor, ABB Ltd and the Foundation of the World Economic Forum. Member since 1996.

DEPUTY MEMBERS

MONICA BERGSTRÖM

(1961*). Employee representative. Member since 1998.
Convertible debentures: 1997/2003: 75,520***.

CHRISTER BINNING

(1946*). Employee representative. Member since 1994.
Convertible debentures: 1993/2000: 750**. 1997/2003: 145,347***.

CHRISTER ÅKERLIND

(1950*). Employee representative. Member since 1994.
Shares held in Ericsson: B 88.
Convertible debentures: 1997/2003: 145,347***.

STATUTORY AUDITORS

CARL-ERIC BOHLIN

Authorized Public Accountant, PricewaterhouseCoopers.

OLOF HEROLF

Authorized Public Accountant, PricewaterhouseCoopers.

THOMAS THIEL

Authorized Public Accountant.

DEPUTY AUDITORS

BO HJALMARSSON

Authorized Public Accountant, PricewaterhouseCoopers.

JEANETTE SKOGLUND

Authorized Public Accountant, PricewaterhouseCoopers.

STEFAN HOLMSTRÖM

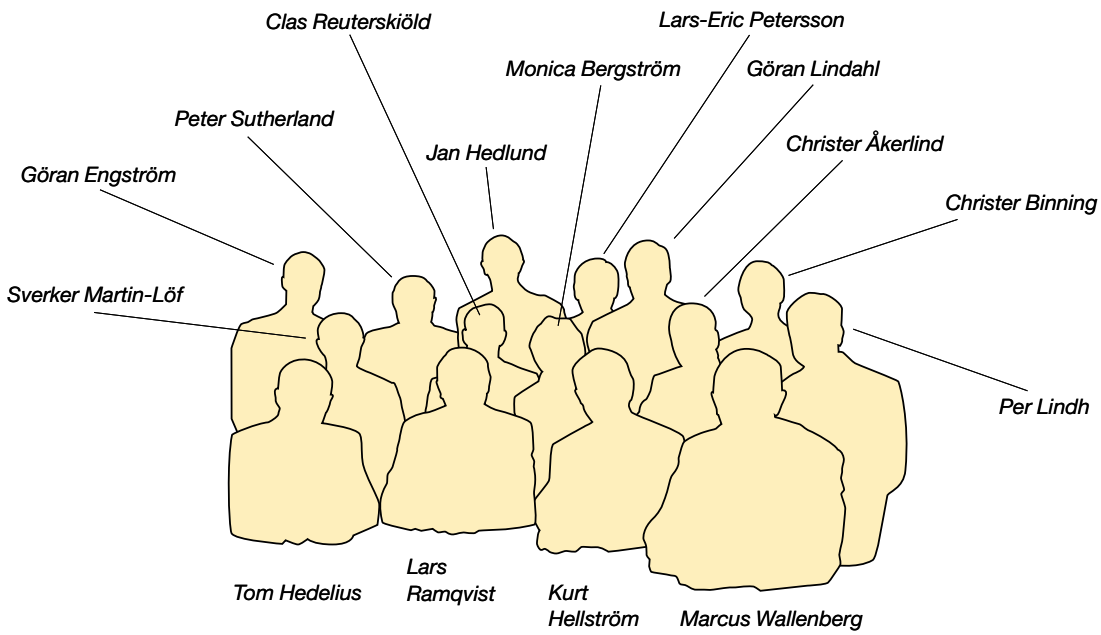
Authorized Public Accountant.

* Year of birth

** Conversion rate: SEK 36:10

*** Conversion rate: SEK 236

BOARD OF DIRECTORS AND PRESIDENT 1999



STEN FORNELL

(1948)*

Executive Vice President and Chief Financial Officer.

B. Sc. (Econ.) Joined Ericsson in 1982. Business Area Controller, Ericsson Information Systems. Vice President Finance Controlling, Business Area Mobile Systems. VP and Controller, Business Segment Network Operators.

Shares held in Ericsson:
B 44,000.

Call options: 1,618.

**KURT HELLSTRÖM**

(1943)*

As of July 7, President of Ericsson.

M. Sc., and master degree from the Stockholm School of Economics. Joined Ericsson in 1984. Has held a number of senior positions in mobile telephony, with emphasis on marketing and sales. Named head of Business Area Mobile Systems in 1990. Executive Vice President, Market Area Asia Pacific in 1999.

Shares held in Ericsson:

B 5,000.

Convertible debentures:

1997/2003: 145,347.***

Call options: 5,187.

SVEN-CHRISTER NILSSON

(1944)*

President and Chief Executive Officer up to July 7.

CARL WILHELM ROS

(1941)*

Senior Executive Vice President and Chief Financial Officer up to June 30.

MATS DAHLIN

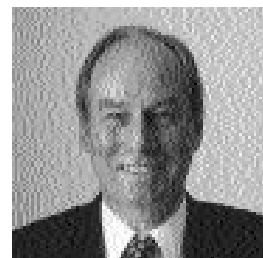
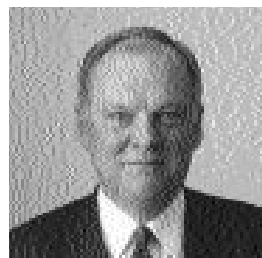
(1954)*

Executive Vice President, Business Segment Network Operators and Service Providers.

B. Sc. Joined Ericsson in 1980. Senior positions in the U.S. and Canada. Regional manager for mobile operations in Asia Pacific. Marketing manager for the American markets and PCS operations. EVP, Ericsson Radio Systems and manager for GSM Business Unit, 1997.

Shares held in Ericsson:
B 2,000.

Call options: 2,593.

**HAIJO PIETERSMA**

(1953)*

Executive Vice President, Business Segment Enterprise Solutions.

Native of the Netherlands. B. Sc. Has been with Ericsson in various positions in Sweden and the Netherlands since 1978. President of local company in the Netherlands, 1994.

Convertible debentures:

1997/2003: 145,347.***

Call options: 3,527.

JOHAN SIBERG

(1944)*

Executive Vice President, Business Segment Consumer Products.

M. Sc. and B. Sc. (Econ.). Joined Ericsson in 1970. Production manager in the Business Area Public Telecommunications, responsible for telecom establishment in the U.S. Head of Corporate Supply and Distribution. Since 1994, head of Mobile Phones and Terminals.

Shares held in Ericsson:
B 15,000.

Convertible debentures:

1997/2003: 145,347.***

Call options: 4,150.

BO DIMERT

(1943)*

Executive Vice President, Market Area North America.

M.B.A. VP Sales for IBM in Sweden and President, Digital Equipment Corporation, Nordic, before joining Ericsson in 1995, as VP, in charge of Business Enterprise Networks. President, Ericsson Inc. in the U.S., 1998.

Shares held in Ericsson:
B 4,400.

Convertible debentures:

1997/2003: 145,347.***

Call options: 2,910.

KJELL SÖRME

(1939)*

Executive Vice President, Market Area Asia Pacific.

B.Sc. Joined Ericsson in 1966. Head of Product Management and VP Systems Design, Public Telecommunications. Head of Network Systems Division Ericsson, U.S. VP Systems Design, Ericsson Telecom. President Ericsson Australia 1990-1999.

Shares held in Ericsson:
B 31,398.

Convertible debentures:

1997/2003: 145,347.***

Call options: 4,547.

BENGT A. FORSSBERG
(1937)*

Executive Vice President,
Market Area Latin America.

B. Sc. Joined Ericsson in 1960. Held various senior positions in Portugal, Egypt, Saudi Arabia, Malaysia and the U.K. Named SVP Corporate Markets in 1996.

Shares held in Ericsson:
B 1,000.

Convertible debentures:
1997/2003: 145,347.***

Call options: 2,801.

**BJÖRN BOSTRÖM**
(1947)*

Senior Vice President,
Supply and Information
Technology.

M. Sc. Joined Ericsson in 1970. Has held various positions in Sweden, Mexico and Ireland. Named head of Production in Mobile Systems in 1989.

Shares held in Ericsson:
B 300.

Convertible debentures:
1997/2003: 145,347.***

Call options: 1,660.

**TORBJÖRN NILSSON**
(1953)*

Senior Vice President,
Marketing and Strategic
Business Development.

M. Sc. and M. B. A.
Joined Ericsson in 1978.
Senior positions in Marketing and Product Management. VP Strategic Business Development in Mobile Systems, 1992.

Shares held in Ericsson:
B 5,510.

Convertible debentures:
1993/2000: 8,950.**
1997/2003: 145,347.***

Call options: 1,660.

**JAN WÄREBY**
(1956)*

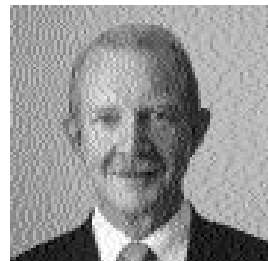
Executive Vice President,
Market Area Europe, Middle East and Africa.

M. Sc. Joined Ericsson in 1980, in the transmission business. Various senior positions in Mobile Systems, including VP in Sales and Marketing in Ericsson Radio Systems U.S. and EVP American Standard, Ericsson Radio Systems, 1998.

Shares held in Ericsson:
B 1,940.

Convertible debentures:
1997/2003: 145,347.***

Call options: 2,481.

**LARS A STÅLBERG**
(1940)*

Senior Vice President,
Communications.

M. B. A. Joined Ericsson in 1989 following a long career in the Swedish Ministry of Foreign Affairs, where he held a number of diplomatic positions. VP Corporate Markets. SVP Information since 1996.

Convertible debentures:
1997/2003: 145,347.***

Call options: 2,178.

**JAN UDDENFELDT**
(1950)*

Senior Vice President,
Technology.

D. Tech., Hon. D. Tech.
Joined Ericsson in 1978. Since 1985 has held senior positions in research and development of Mobile Systems. Named VP Technology in Ericsson Radio Systems and manager of Mobile Systems' worldwide R&D operations in 1990.

Shares held in Ericsson:
B 208.

Convertible debentures:
1993/2000: 2,400.**
1997/2003: 145,347.***

Call options: 1,867.

**BRITT REIGO**
(1943)*

Senior Vice President,
Human Resources and
Organization.

M. Sc. Joined Ericsson in 1988 as Senior Vice President Human Resources and Organization. Earlier, with SAS as Director of Inflight Service, with SSAB as Administrative VP, and with SPP as VP Personnel. Worked in China in 1995, building up local company's organization.

Shares held in Ericsson:
B 3,000.

Convertible debentures:
1997/2003: 145,347.***

Call options: 3,112.

OTHER SENIOR EXECUTIVES**STEPHAN ALMQVIST**

Senior Vice President,
Corporate Audit and
Security.

Convertible debentures:
1997/2003: 145,347.***

Call options: 1,563.

CARL OLOF BLOMQUIST

Senior Vice President,
Corporate Legal Affairs.

VIDAR MOHAMMAR

Senior Vice President,
Corporate Treasury.

Convertible debentures:
1997/2003: 145,347.***

Call options: 606.

* Year within parentheses indicates date of birth

** Conversion price: SEK 36.10

*** Conversion price: SEK 235

T HIS GLOSSARY has been prepared for a broad group of readers who may not be familiar with technical terms in this Annual Report. However, brief definitions of these terms cannot provide complete explanations.

ADSL (Asymmetrical Digital Subscriber Line)

A method to increase transmission speed in a copper cable. ADSL facilitates the division of capacity into a channel with higher speed to the subscriber, typically for video transmission, and a channel with significantly lower speed in the other direction.

AMPS (Advanced Mobile Phone System)

The original American standard specification for analog systems. Used primarily in North America, Latin America, Australia and parts of Russia and Asia

ATM (Asynchronous Transfer Mode)

A technology for broadband transmission of voice, data and video transmission of telecom signals in large amounts. In addition to high-capacity signal transmission, ATM provides considerable flexibility, since the individual subscriber is able to adapt the capacity of a switched connection to current requirements.

ASF (Application Service Positioning)

A technology that facilitates downloading of software of the Internet instead of purchasing the program over the counter – against a fixed fee.

AXE

An open architecture, Ericsson's communications platform. A system for computer-controlled digital exchanges that constitute the nodes in large public telecommunications networks. The basis for Ericsson's wireline and mobile systems.

Bluetooth

A radio technology developed by Ericsson and other companies built around a new chip that makes it possible to transmit signals over short distances between telephones, computers and other devices without the use of wires.

CDMA (Code Division Multiple Access)

A technology for digital transmission of radio signals between, for example, a mobile telephone and a radio base station. In CDMA, a frequency is divided into a number of codes. See also IS-95.

D-AMPS (Digital Advanced Mobile Phone System)

Earlier designation of American standard for digital mobile telephony used primarily in North America, Latin America, Australia and parts of Russia and Asia. Now known as TDMA. See also TDMA and IS-136.

EDGE

A technology that gives GSM and TDMA similar capacity to handle services for the third generation of mobile telephony. Developed to enable the transmission of large amounts of data at a high speed, 384 kilobits per second in mobile applications.

EPOC

An operating system for mobile terminals, developed by Symbian (Ericsson joint-venture company including Matsushita, Motorola, Nokia and Psion).

GPRS (General Packet Radio Service)

A packet-linked technology that enables high-speed (115 kilobit per second) wireless Internet and other data communications.

GSM (Global System for Mobile Communication)

Originally developed as a pan-European standard for digital mobile telephony, GSM has become the world's most widely used mobile system. It is used on the 900 MHz and 1800 MHz frequencies in Europe, Asia and Australia, and the MHz 1900 frequency in North America and Latin America.

IMT-2000 (International Mobile Telecommunications)

Standard adopted by the ITU for the third generation of mobile telephony. Actually a family of five different specifications for the radio interface in this new system generation.

IP (Internet Protocol)

The Internet protocol defines how information travels between systems across the Internet.

IS-95

A digital mobile telephony standard based on CDMA technology. See also CDMA.

IS-136

A digital mobile telephony standard based on TDMA technology. See also TDMA and D-AMPS.

ISP (Internet Service Provider)

A company specializing in offering end-users access to the Internet. As a rule does not have own communications network but functions as a link between the user and the net operator.

ITU (International Telecommunication Union)

A United Nations agency that deals with telecommunications issues.

MP3 player, based on three volt platform, to be attached to mobile phone.





Cordless Phone 260, cordless DECT-phone with built-in speaker and digital answering machine.

LAN (Local Area Network)

A small data network covering a limited area, such as within a building or group of buildings.

LMDS (Local Multipoint Distribution System)

American standard for high-speed transmission of voice and data using so-called PMP (Point-to-Multipoint) solutions. Used to provide wireless broadband traffic to small and medium-size companies or in apartment buildings.

PBX (Private Branch Exchange)

An exchange system used in companies and organizations to handle internal and external calls.

PCS (Personal Communications Services)

Collective term for American mobile telephone services in the 1900 MHz frequency band.

PDG (Personal Digital Cellular)

A Japanese standard for digital mobile telephony in the 800 MHz and 1500 MHz bands.

Router

A data switch that handles connections between different networks. A router identifies the addresses on data passing through the switch, determines which route the transmission should take and collects data in so-called packets that are then sent to their destinations.

SDH (Synchronous Digital Hierarchy)

A standard for digital signal transmission within transport networks.

3GPP (Third-generation Partnership Project)

A global cooperative project in which in which standardization bodies in Europe, Japan, South Korea and the United States as founders are coordinating WCDMA issues. See also WCDMA.

TDMA (Time Division Multiple Access)

A technology for digital transmission of radio signals between, for example, a mobile phone and a radio base station. In TDMA, the frequency band is split into a number of channels that are stacked into short time units so that several calls can share a single channel without interfering with one another. TDMA is also the name of a digital technology based on the IS-136 standard. TDMA is the current designation for what was formerly known as D-AMPS. See also IS-136 and D-AMPS.

UMTS (Universal Mobile Telecommunications System)

The name of the third-generation mobile phone standard in Europe, standardized by ETSI.

VoIP (Voice over Internet Protocol)

A technology for transmitting ordinary telephone calls over the Internet using packet-linked routes. Also called IP telephony.

WAP (Wireless Application Protocol)

A free, unlicensed protocol for wireless communications that makes it possible to create advanced telecommunications services and to access Internet pages from a mobile telephone. WAP is the *de facto* standard that is supported by a large number of suppliers.

WCDMA (Wideband Code Division Multiple Access)

A technology for wideband digital radio communications of Internet, multimedia, video and other capacity-demanding applications. WCDMA, developed by Ericsson and others, has been selected for the third generation of mobile telephone systems in Europe, Japan and the United States. The technology is also the principal alternative being discussed in other parts of the world, notably Asia.

WDM (Wavelength Division Multiplexing)

A new technology that uses optical signals on different wavelengths to increase the capacity of fiber optic networks in order to handle a number of services simultaneously.

W-LAN (Wireless-Local Area Network)

A wireless version of the LAN. Provides access to the LAN even when the user is not in the office. •

THE ANNUAL GENERAL MEETING will be held in the Victoria Hall, Stockholm International Fairs, Stockholm, at 5:00 p.m. on Friday, March 31, 2000.

Shareholders intending to participate in the Annual General Meeting must be entered as shareholders in the share register maintained by VPC AB (Swedish Securities Register Center) not later than March 21, 2000.

A shareholder whose shares are registered in the name of a trustee must temporarily be entered in the share register not later than March 21, 2000, in order to participate in the Meeting.

**NOTICE OF PARTICIPATION
IN THE ANNUAL GENERAL MEETING**

In addition to the requirements listed above, shareholders shall provide notice of attendance to:

Telefonaktiebolaget LM Ericsson
Corporate Legal Affairs
SE-126 25 Stockholm, Sweden
Tel: +46 8 719 3444 or +46 8 719 4498
(between 10 a.m. and 4 p.m. daily),
fax: +46 8 719 9527 or
e-mail: bolagsstaemma@lme.ericsson.se
not later than Friday, March 24, 2000, 4 p.m.

PROXY

In order to attend and vote as proxy on behalf of a shareholder at the Meeting, a power of attorney must be presented to the Company, preferably at the above address not later than March 30, 2000.

DIVIDEND AND DIVIDEND PAYMENT

A resolution adopted by shareholders at the Annual General Meeting will specify the date on which the share register and related list of pledge holders will be reconciled as the record day. The Board of Directors and President have proposed April 5, 2000, as the record date. If the proposal is approved, dividends are expected to be paid by VPC AB to all registered shareholders on April 10, 2000.

CHANGE OF ADDRESS

Shareholders who have changed their name, mailing address or account number should notify their trustees as soon as possible, or VPC AB, Box 7822, SE-103 97 Stockholm, Sweden.

FINANCIAL INFORMATION FROM ERICSSON

Interim report January–March	April 28, 2000
Interim report January–June	July 21, 2000
Interim report Jan.–September	October 20, 2000
Preliminary year-end report	January 26, 2001
Annual report 2000	March 2001

Annual Reports and interim reports are available on request on the Internet:

www.ericsson.com/reports, or by contacting:

Telefonaktiebolaget LM Ericsson
SE-126 25 Stockholm, Sweden
Telephone: +46 8 719 0000

Ericsson Inc.

100 Park Avenue, 27th floor
New York NY 10017, U.S.A.
Telephone: +1 212 685 4030

Information about Ericsson is available on the Internet:

www.ericsson.com

INVESTOR RELATIONS

Karin Almqvist Liwendahl
Director, Corporate Communications
Telefonaktiebolaget LM Ericsson
SE-126 25 Stockholm
Telephone: +46 8 719 0000
Telefax: +46 8 719 1976
E-mail: karin.almqvist.liwendahl@lme.ericsson.se

Gary Pinkham
Vice President, Ericsson Inc.
100 Park Avenue, 27th floor
New York NY 10017, U.S.A.
Telephone: +1 212 685 4030
Telefax: +1 212 213 0159
E-mail: gary.pinkham@ericsson.com