ERICSSON LM TELEPHONE CO
Form 6-K
July 21, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

July 18, 2003

LM ERICSSON TELEPHONE COMPANY

(Translation of registrant s name into English)

126 25 Stockholm, Sweden

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes ¨ No x

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Announcement of LM Ericsson Telephone Company, dated July 18, 2003, regarding Second quarter report 2003.

Second quarter report 2003
July 18, 2003

For the German market:

Notification pursuant to

Section 15 WpHG

Ericsson s restructuring well on track for the return to profitability

Second quarter summary

Net sales SEK 27.6 b. book-to-bill above 1 for second consecutive quarter

Net income SEK -2.7 b. adjusted income after fin SEK -0.2 b.

Earnings per share SEK -0.17

Operating expense run rate SEK 42 b. down SEK 5 b. sequentially

Cash flow before financing SEK 5.1 b. significantly strengthened financial position

	Second quarter			First quarter	
SEK b.	**2003**	**2002**	**Change**	**2003**	**Change**
Orders booked, net	28.3	35.3	-20%	27.1	5%
Net sales	27.6	38.5	-28%	25.9	7%
Adjusted gross margin (%)	35.1%	32.5%		34.1%	
Adjusted operating income	-0.2	-2.5		-3.4	
Adjusted income after financial items	-0.2	-3.1		-3.5	
Net income	-2.7	-2.7		-4.3	
Earnings per share	-0.17	-0.25		-0.27	
Cash flow before financing activities	5.1	-2.0		0.7	
Opex run rate, annualized	42	57	-26%	47	-11%
Number of employees	57,644	76,221	-24%	60,940	-5%

Book-to-bill was above one for the second consecutive quarter with order bookings increasing by 5% sequentially to SEK 28.3 (35.3) b. Net sales in the second quarter grew 7% sequentially to SEK 27.6 (38.5) b. Foreign currency exchange rate differences have had a negative effect of 9% year-over-year.

Adjusted gross margin improved sequentially by one percentage point to 35.1% (32.5%) as a result of ongoing restructuring. Operating expense reductions are well on track, reaching an annualized run-rate of SEK 42 (57) b. Adjusted income after financial items was SEK -0.2 (-3.1) b. compared to SEK -3.5 b. in the first quarter. Foreign currency exchange rate differences have had a negative effect of SEK 0.5 b. year-over-year.

Cash flow before financing was SEK 5.1 (-2.0) b. with major contributions from reductions in working capital and customer financing. The financial position continues to strengthen with a net of financial assets and liabilities of SEK 11 b. Payment readiness remains high at SEK 68.8 (33.5) b.

CEO COMMENTS

We remain determined to return to profit during 2003. Over eight quarters we have more than halved our operating expenses and are approaching our earlier announced cost targets. I am impressed with how our employees are carrying out this dramatic downsizing in the middle of the ongoing launches of new technology. We are encouraged by a third quarter of positive cash flow and a strengthened financial position, says Carl-Henric Svanberg, President and CEO of Ericsson.

But we are not satisfied. We see clear potential for further gross margin improvements and by establishing operational excellence we will secure the profitability and cost advantages attainable by the market leader.

Our customers are increasing their focus on end-user benefits and on financial performance. Through development of operational excellence we will secure faster deliveries and quicker response to changing needs.

In the longer-term perspective I remain confident in the market opportunities. The number of subscribers continues to grow, they also talk more and are increasing their use of data services including broadband. Frequent users of data services spend more minutes on voice as well, making such services important to attract and retain the high volume users. This, along with the introduction of more mobile data optimized handsets and new applications, will drive the need for capacity expansion.

Our 2G GSM business is sound with the second consecutive quarter of increased order intake, and, as we approach one million WCDMA subscribers, 3G is now starting to become a commercial reality for the operators. We have supplied equipment for seven of the nine commercially launched 3G networks. In addition, we have supplied the world s first commercial EDGE network, launched by Cingular Wireless. We are clearly in the forefront of both 2G and 3G mobile systems.

The market for professional services continues to develop in our favor. We have the industry s strongest service portfolio built on our large installed base, unique know-how, local presence and proven ability to integrate and manage networks with equipment from multiple vendors, concludes Carl-Henric Svanberg, President and CEO of Ericsson.

MARKET VIEW

The number of mobile subscribers continues to grow on pace to exceed 1.5 billion subscribers within three years. We expect between 165 and 180 million net additions this year with approximately 44 million during the second quarter. In addition, traffic is expected to further grow as operators promote mobile internet and mobile multimedia services.

We expect the market to remain weak in the near term. Operators continue to reduce debt maintaining a cautious view on capital expenditure. We are, however, encouraged by the quick improvement of their overall debt situation.

OUTLOOK

We maintain our view that the global mobile systems market, measured in USD, could decline by more than 10% this year compared with 2002. We also maintain our view that the addressable market for professional services should continue to show good growth.

We expect to maintain our shares of the mobile systems and professional services markets this year. Due to foreign exchange effects, our reported sales in SEK will decline more than the overall market, which is estimated in USD.

Sales for the third quarter are expected to be flat or slightly down on a sequential basis.

OPERATIONAL REALIGNMENT

Restructuring activities lowered the annualized operating expense run rate to SEK 42 (57) b., a sequential reduction of SEK 5 b. The restructuring also contributed to an improvement of the adjusted gross margin to 35.1% (32.5%) from 34.1% in the first quarter, already within our targets for 2003.

Total restructuring charges were SEK 3.8 b. during the quarter. SEK 2.0 b. relates to previously announced reductions, which are now finalized. SEK 1.5 b. relates to the actions announced in the first quarter. Estimated total restructuring costs for 2003 remain at SEK 16.3 b.

Cash outlays in the quarter were SEK 2.4 b. Total estimated cash outlays for 2003 is estimated to SEK 15 b. and SEK 5 b. for 2004.

During the quarter a contract to outsource the information technology infrastructure to HP was signed as well as a Memorandum of Understanding with IBM to outsource the development, implementation and maintenance of IT-applications. Approximately 2,000 employees will be transferred as a result of these agreements during the coming year.

During the quarter, headcount was reduced by 3,300, bringing the workforce to 57,600 (76,200) by the end of June. Total number of employees will be reduced to approximately 52,000 by year-end and will reach 47,000 during 2004.

CONSOLIDATED ACCOUNTS

FINANCIAL REVIEW

Income

In the second quarter, both orders and sales increased compared to the first quarter with a book-to-bill ratio above 1.0 for the second consecutive quarter.

Orders booked grew 5% sequentially to SEK 28.3 (35.3) b. A 15% increase in Mobile Networks orders was partially offset by lower orders in other areas. Orders declined year-over-year by 20%, approximately half of which was attributable to foreign currency exchange rates, mainly a weaker USD.

Orders in Asia Pacific increased strongly from the first quarter due to large orders in China, Japan and Australia. Good order development in Eastern Europe, Middle East and Africa more than compensated for weaker order intake in Western Europe. In the Americas, the North American market was flat sequentially in spite of the weakening USD while Latin America showed a decline.

Sales grew 7% sequentially to SEK 27.6 (38.5) b. but declined 28% year-over-year. Approximately one third of the year-over-year decline is related to the weakening USD. Sales in Asia Pacific were flat, with increases in China and Australia offset by lower sales in Japan. Sales in all other regions increased sequentially.

Gross margin adjusted for restructuring improved for the second consecutive quarter to 35.1% (32.5%), a sequential increase of one percentage point from 34.1%. The continued cost reductions and improved capacity utilization offset the effects of price pressure, product mix and the weaker USD.

Adjusted operating expenses were reduced SEK 1.3 b. sequentially to SEK 10.1 (14.5) b. The annualized run-rate was SEK 42 (57) b., down from SEK 47 b. in the first quarter. Operating expenses include a net favorable impact from customer financing of SEK 0.3 b., mainly related to released risk provisions from the sold France Telecom perpetual convertible bonds.

Adjusted operating income was SEK -0.2 (-2.5) b. compared to SEK -3.4 b. the previous quarter. Adjusted income after financial items was SEK -0.2 (-3.1) b. compared to SEK -3.5 b. in the first quarter. Net effects of changes in foreign currency exchange rates on operating income compared to rates one year ago were SEK -0.5 b. Excluding effects from currency hedging contracts this net effect would have been SEK -1.1 b.

A positive adjusted income in Systems of SEK 0.6 b. was offset by a negative result in Other Operations of SEK -0.3 b., SEK -0.2 b. from Sony Ericsson Mobile Communications, and SEK -0.2 b. of unallocated costs.

Net income was SEK -2.7 (-2.7) b. for the quarter and earnings per share was SEK -0.17 (-0.25).

Balance sheet and financing

Working capital was reduced by SEK 4.2 b. to SEK 65.3 (69.6) b. in the quarter. The reduction is mainly attributable to trade receivables and inventory. Days sales outstanding (DSO) for trade receivables were 101 (108), a decrease by eight days sequentially. Inventory turnover was more than 5.3 (4.2) turns.

Customer financing risk exposure was reduced by approximately 40% to SEK 11.8 (27.8) b. in the quarter. This includes sales of the France Telecom bonds and other credits, closed in the quarter but due for payment of SEK 5 b. in the third quarter. The total on-balance sheet receivables were reduced by SEK 5.5 b. Unutilized credit commitments were reduced to SEK 11 (25.3) b.

In the quarter a total of SEK 10 b. were repaid for the convertible bond loan to employees (SEK 4.5 b.) and other borrowings. Through the positive cash flow before financing activities of SEK 5.1 b. net debt improved to SEK -11 (22) b. The equity ratio was 36.0% (28.6%) compared to 34.9% at the end of the previous quarter.

Cash flow

Cash flow before financing activities was positive for the third consecutive quarter and amounted to SEK 5.1 (-2.0) b. This was primarily a result of reductions in working capital in trade receivables, inventory and customer financing, which more than compensated for the SEK -2.7 b. net loss for the period.

Cash flow from investing activities was SEK 0.6 b. Customer financing contributed SEK 3.0 b. Cash flow related to restructuring activities was approximately SEK -2.4 b.

Payment readiness remained high at SEK 68.8 (33.5) b. For the remainder of the year, repayments of approximately SEK 2.3 b. of long-term maturities are planned.

SEGMENT RESULTS

SYSTEMS

SEK b.	Second quarter 2003	Second quarter 2002	Second quarter Change	First quarter 2003	First quarter Change
Orders booked					
Mobile Networks	20.0	22.9	-13%	17.5	15%
Fixed Networks	1.7	3.0	-42%	2.0	-13%
Professional Services	4.6	5.3	-14%	5.5	-17%
Net sales					
Mobile Networks	18.9	27.0	-30%	17.6	7%
Fixed Networks	2.2	3.0	-27%	1.9	15%
Professional Services	4.1	4.8	-15%	4.4	-7%
Adjusted operating income	0.6	-0.7		-2.1	
Adjusted operating margin (%)	2%	-2%		-9%	

Systems orders increased 5% sequentially to SEK 26.3 (31.2) b., including a 3% negative impact of a lower USD. Mobile Networks increased by 15%, driven by orders for GSM and WCDMA. Recurring service business develops according to plan. However, the inflow of additional Professional Services contracts was lower compared to the first quarter. Overall demand for Fixed Networks remains relatively weak.

Systems sales increased 5% sequentially to SEK 25.2 (34.8) b., even with a lower USD. The GSM/WCDMA track increased by 10% sequentially, down 13% year-over-year. Sales of WCDMA equipment and associated network rollout services represented 13% of Mobile Network sales. Total Systems sales were affected by the phase-out of older standards.

Sales of Professional Services were SEK 4.1 (4.8) b. in the quarter, including negative effects of foreign currency exchange rates. Year-to-date growth amount to 4% excluding foreign currency exchange effects.

Adjusted operating income was SEK 0.6 (-0.7) b.

OTHER OPERATIONS

	Second quarter			First quarter	
SEK b.	**2003**	**2002**	**Change**	**2003**	**Change**
Orders booked	2.3	4.8	-52%	2.6	-11%
Orders booked less divestitures	2.3	3.2	-28%	2.6	-11%
Net sales	2.5	4.6	-44%	2.4	7%
Net sales less divestitures	2.5	3.0	-16%	2.4	7%
Adjusted operating income	-0.3	-1.0		-0.5	
Adjusted operating income less divestitures	-0.3	-0.5		-0.5	
Adjusted operating margin (%)	-13%	-21%		-21%	
Adjusted operating margin less divestitures (%)	-13%	-17%		-21%	

Other Operations has been restructured, including divestitures, which is reflected in the year-over-year figures with an approximate volume reduction of 50%. Sequentially orders declined 11% and sales increased by 7%.

Adjusted operating income in the quarter improved year-over-year as well as sequentially.

PHONES

The operating results of Sony Ericsson Mobile Communications (SEMC) improved significantly in the quarter and Ericsson s share in earnings before restructuring charges of SEK 0.3 b. was SEK -0.2 (-0.4) b., compared to SEK -0.5 b. in the first quarter. This improvement was due to increased volumes and higher average selling prices. Year-over-year, GSM unit shipments increased 84% and shipments to the Japanese market increased 45% reflecting the successful introduction of new models.

SEMC has decided to increase its focus on GSM and Japanese standards and to exit the American CDMA handset standard. In addition, a research and development unit in Germany will be closed down. The company expects restructuring charges of EUR 70 m. of which EUR 58 m. in the second quarter. The restructuring activities are projected to generate yearly run-rate savings of approximately EUR 120 m. when completed, with some benefit in the second half of 2003. SEMC expects to be profitable in the second half of 2003.

RELATED PARTY TRANSACTIONS

Sony Ericsson Mobile Communications (SEMC)

SEK m.	Second quarter 2003	Second quarter 2002
Sales to SEMC	934	1,315
Royalty from SEMC	154	168
Purchases from SEMC	488	1,156
Receivables from SEMC	155	292
Liabilities to SEMC	616	323

PARENT COMPANY INFORMATION

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

Net sales for the six months period amounted to SEK 0.9 (0.8) b. and income after financial items was SEK 2.8 (1.1) b.

Major changes in the company s financial position for the six months period were:

Increased current and long-term commercial and financial receivables from subsidiaries of SEK 22.6 b.

Decreased current other receivables of SEK 2.8 b.

Decreased cash and short-term cash investments of SEK 2.1 b.

The investments were primarily financed through increased internal borrowings of SEK 24.6 b. During the second quarter repayments of current maturities of long-term loans amounted to SEK 8.7 b. At the end of the quarter, cash and short-term cash investments amounted to SEK 57.2 (59.3) b. Customer financing credits, including France Telecom perpetual convertible bonds, were sold in the quarter with payments of SEK 5 b. to be received in the third quarter.

As per July 1, 2003 test plant lease agreements between the Parent Company and subsidiaries have been transferred to the subsidiary Ericsson Test Environments AB.

In the second quarter, as decided at the Annual General Meeting, a stock issue and a subsequent stock repurchase was carried out related to the 2003 employee Stock Purchase Plan. 158 million of Ericsson Class C shares were issued and later repurchased as treasury stock. These shares have been converted to Ericsson Class B shares. The stock issue increased the capital stock in restricted stockholders equity by SEK 158 m. and the repurchase reduced non-restricted equity by SEK 158 m.

In accordance with the conditions of the 2001 Stock Purchase Plan for Ericsson employees, 918,200 shares from treasury stock were distributed during the second quarter to employees who left Ericsson. An additional 94,300 shares were sold during the second quarter in order to cover social security costs related to the Stock Purchase Plan. The holding of treasury stock at June 30, 2003, was 309,552,865 Class B shares.

Stockholm, July 18, 2003

Carl-Henric Svanberg

President and CEO

Date for next report: October 30, 2003

AUDITORS REPORT

We have reviewed the report for the six-month period ended June 30, 2003, for Telefonaktiebolaget LM Ericsson (publ.). We conducted our review in accordance with the recommendation issued by FAR. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the second quarter report does not comply with the requirements for interim reports in the Annual Accounts Act.

Stockholm, July 18, 2003

Carl-Eric Bohlin	Bo Hjalmarsson	Thomas Thiel
Authorized Public Accountant	Authorized Public Accountant	Authorized Public Accountant
PricewaterhouseCoopers AB	PricewaterhouseCoopers AB	

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

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

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

A glossary of all technical terms is available at: http://www.ericsson.com/about and in the Annual Report.

To read the full report, please go to: http://www.ericsson.com/investors/6month03-en.pdf

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FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

ERICSSON

CONSOLIDATED INCOME STATEMENT

	Apr - Jun			Jan - Jun		
SEK million	**2003**	**2002** [1)]	**Change**	**2003**	**2002** [1)]	**Change**
Net sales	27,613	38,545	-28%	53,472	75,511	-29%
Cost of sales	-19,011	-26,469	-28%	-37,873	-51,722	-27%
Gross margin	8,602	12,076		15,599	23,789	
Research and development and other technical expenses	-6,084	-6,561	-7%	-12,981	-14,185	-8%
Selling expenses	-4,085	-5,630	-27%	-7,534	-11,222	-33%
Administrative expenses	-1,842	-2,711	-32%	-3,646	-5,263	-31%
Operating expenses	-12,011	-14,902		-24,161	-30,670	
Other operating revenues and costs	195	267		109	1,038	
Share in earnings of JV and associated companies	-365	-524		-1,107	-580	
Operating income	-3,579	-3,083		-9,560	-6,423	
Financial income	850	640	33%	2,014	1,529	32%
Financial expenses	-856	-1,210	-29%	-2,074	-2,892	-28%
Income after financial items	-3,585	-3,653		-9,620	-7,786	
Taxes	820	1,116		2,667	2,349	
Minority interest	37	-182		-87	-250	
Net income	-2,728	-2,719		-7,040	-5,687	

1) In compliance with RR 9, figures are restated to report minority interest net of tax. As a consequence, and in line with the statutory format for income statements, we now cease to report a subtotal Income before taxes.

Other Information

	Apr - Jun 2003	Apr - Jun 2002	Jan - Jun 2003	Jan - Jun 2002
Average number of shares, basic (million)			15,821	10,950
Earnings per share, basic (SEK)	-0.17	-0.25	-0.44	-0.52
Earnings per share, diluted (SEK)	-0.17	-0.25	-0.44	-0.52

NOTE 1

Items affecting comparability

	Apr - Jun 2003	Apr - Jun 2002	Jan - Jun 2003	Jan - Jun 2002
Non-operational capital gains/losses, net	- 10	- 3	- 5	99
Restructuring costs, net	-3,799	-1,482	-6,992	-1,482
Capitalization of development expenses, net	412	910	1,026	1,915
Total	-3,397	-575	-5,971	532
-of which in				
Cost of sales	-1,096	-438	-2,909	-438
Operating expenses	-1,884	-364	-2,629	641
Other operating revenues and costs	-152	-3	- 168	99
Share in earnings of JV and associated companies / phones	-265	230	-265	230

NOTE 2

Key measurements, excluding items affecting comparability

Net sales	27,613	38,545	53,472	75,511
Adjusted gross margin	9,698	12,514	18,508	24,227
as percentage of net sales	35.1%	32.5%	34.6%	32.1%
Adjusted operating expenses	-10,127	-14,538	-21,532	-31,311
as percentage of net sales	36.7%	37.7%	40.3%	41.5%
Adjusted other operating revenues and costs	347	270	277	939
Share in earnings of JV and assoc. companies	-100	-754	-842	-810
Adjusted operating income	-182	-2,508	-3,589	-6,955
Adjusted operating margin (%)	-0.7%	-6.5%	-6.7%	-9.2%
Adjusted income after financial items	-188	-3,078	-3,649	-8,318

ERICSSON

CONSOLIDATED BALANCE SHEET

SEK million	**Jun 30 2003**	**Dec 31 2002[1)]**	**Jun 30 2002[1)]**
ASSETS			
Fixed assets			
Intangible assets			
Capitalized development expenses	4,226	3,200	1,915
Goodwill	7,001	8,603	9,930
Other	736	806	865
Tangible assets	7,569	9,964	14,197
Financial assets			
Equity in JV and associated companies	2,507	1,835	2,416
Other investments	550	2,243	2,302
Long-term customer financing	3,960	12,283	6,589
Deferred tax assets	28,788	26,047	24,316
Other long-term receivables	1,730	2,132	3,371
	57,067	67,113	65,901
Current assets			
Inventories	12,845	13,419	23,697
Receivables			
Accounts receivable trade	30,790	37,384	45,896
Short-term customer financing	6,088	1,680	5,843
Other receivables	20,155	23,303	30,374
Short-term cash investments, cash and bank	62,358	66,214	47,551
	132,236	142,000	153,361
Total assets	189,303	209,113	219,262
STOCKHOLDERS EQUITY, PROVISIONS AND LIABILITIES			
Stockholders equity	65,713	73,607	59,338
Minority interest in equity of consolidated subsidiaries	2,473	2,469	3,270
Provisions			
Pensions	11,483	10,997	10,710
Other provisions	21,034	21,357	22,169
	32,517	32,354	32,879
Long-term liabilities	34,729	37,066	37,395

Current liabilities			
Interest-bearing liabilities	6,465	14,321	22,211
Accounts payable	8,987	12,469	18,018
Other current liabilities	38,419	36,827	46,151
	53,871	63,617	86,380
Total stockholders equity, provisions and liabilities	189,303	209,113	219,262
Of which interest-bearing provisions and liabilities	51,406	61,463	69,748
Net debt	-10,952	-4,751	22,197
Assets pledged as collateral	5,781	2,800	1,347
Contingent liabilities	3,103	3,116	12,307

1) Restated for change in accounting principle regarding financial instruments (RR 27), and all deferred tax assets are reported as long-term.

ERICSSON

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Apr - Jun 2003	Apr - Jun 2002[1)]	Jan - Jun 2003	Jan - Jun 2002[1)]	Jan - Dec 2002
Net income	-2,728	-2,719	-7,040	-5,687	-19,013
Adjustments to reconcile net income to cash	1,143	-2,110	1,772	-4,416	-1,832
	-1,585	-4,828	-5,268	-10,102	-20,845
Changes in operating net assets					
Inventories	1,332	-794	932	-995	8,599
Customer financing, short-term and long-term	2,976	-801	2,947	1,151	-2,140
Accounts receivable	2,065	1,757	6,798	6,574	9,839
Other	955	-74	2,856	-3,142	-5,541
Cash flow from operating activities	5,743	-4,740	8,265	-6,514	-10,088
Capitalized development expenses	-536	-947	-1 273	-1 997	-3 442
Other investing activities	-77	3,732	-1,200	2,495	6,426
Cash flow from investing activities	-613	2,785	-2,473	498	2,984
Cash flow before financing activities	5,130	-1,955	5,792	-6,016	-7,104
Dividends paid	-14	27	-17	-23	-645
Other equity transactions	1		2		28,942
Other financing activities	-10,040	-5,567	-9,535	-13,970	-22,700
Cash flow from financing activities	-10,053	-5,540	-9,550	-13,993	5,597
Effect of exchange rate changes on cash	67	-876	-98	-1,364	-1,203
Net change in cash	-4,856	-8,371	-3,856	-21,373	-2,710
Cash and cash equivalents, beginning of period	67,214	55,922	66,214	68,924	68,924
Cash and cash equivalents, end of period	62,358	47,551	62,358	47,551	66,214

1) Capitalization of development expenses, previously reported in Adjustments to reconcile net income to cash, are as from Q4 2002 included in Investing activities. Figures for 2002 are restated.

ERICSSON

CHANGES IN STOCKHOLDERS EQUITY

SEK million	Jan - Jun 2003	Jan - Dec 2002	Jan - Jun 2002
Opening balance	73,607	68,587	68,587
Stock issue, net	158	28,940	
Sale of own stock	2	2	
Stock Purchase Plan	67	12	
Repurchase of own stock	-158		
Changes in cumulative translation effects due to changes in foreign currency exchange rates	-923	-4,921	-3,562
Net income	-7,040	-19,013	-5,687
Closing balance	**65,713**	**73,607**	**59,338**

ERICSSON

CONSOLIDATED INCOME STATEMENT ISOLATED QUARTERS

SEK million	2002 1)				2002 1)			
	0203	**0206**	**0209**	**0212**	**Q1**	**Q2**	**Q3**	**Q4**
Net sales	36,966	75,511	109,024	145,773	36,966	38,545	33,513	36,749
Cost of sales	-25,253	-51,722	-75,963	-104,224	-25,253	-26,469	-24,241	-28,261
Gross margin	11,713	23,789	33,061	41,549	11,713	12,076	9,272	8,488
Research and development and other technical expenses	-7,624	-14,185	-22,353	-30,510	-7,624	-6,561	-8,168	-8,157
Selling expenses	-5,592	-11,222	-16,375	-21,896	-5,592	-5,630	-5,153	-5,521
Administrative expenses	-2,552	-5,263	-7,492	-9,995	-2,552	-2,711	-2,229	-2,503
Operating expenses	-15,768	-30,670	-46,220	-62,401	-15,768	-14,902	-15,550	-16,181
Other operating revenues and costs	771	1,038	1,268	773	771	267	230	-495
Share in earnings of JV and assoc. companies	-56	-580	-1,209	-1,220	-56	-524	-629	-11
Operating income	-3,340	-6,423	-13,100	-21,299	-3,340	-3,083	-6,677	-8,199
Financial income	889	1,529	2,098	4,253	889	640	569	2,155
Financial expenses	-1,682	-2,892	-3,883	-5,789	-1,682	-1,210	-991	-1,906
Income after financial items	-4,133	-7,786	-14,885	-22,835	-4,133	-3,653	-7,099	-7,950
Taxes	1,233	2,349	4,457	4,165	1,233	1,116	2,108	-292
Minority interest	-68	-250	-256	-343	-68	-182	-6	-87
Net income	-2,968	-5,687	-10,684	-19,013	-2,968	-2,719	-4,997	-8,329

1) In compliance with RR 9, figures are restated to report minority interest net of tax. As a consequence, and in line with the statutory format for income statements, we now cease to report a subtotal Income before taxes.

Other Information

Average number of shares, basic (million)	10,950	10,950	11,458	12,573				
Earnings per share, basic (SEK)	-0.27	-0.52	-0.93	-1.51	-0.27	-0.25	-0.41	-0.58
Earnings per share, diluted (SEK)	-0.27	-0.52	-0.93	-1.51	-0.27	-0.25	-0.41	-0.58

NOTE 1

Items affecting comparability								
Non-operational capital gains/losses, net	102	99	217	-42	102	-3	118	-259
Restructuring costs, net		-1,482	-5,691	-11,962		-1,482	-4,209	-6,271
Capitalization of development expenses, net	1,005	1,915	2,556	3,200	1,005	910	641	644
Total	1,107	532	-2,918	-8,804	1,107	-575	-3,450	-5,886
-of which in								
Cost of sales		-438	-2,107	-5,589		-438	-1,669	-3,482
Operating expenses	1,005	641	-1,258	-3,092	1,005	-364	-1,899	-1,834
Other operating revenues and costs	102	99	217	-353	102	-3	118	-570
Share in earnings of JV and associated companies / phones		230	230	230		230		

NOTE 2

Key measurements, excluding items affecting comparability								
Net sales	36,966	75,511	109,024	145,773	36,966	38,545	33,513	36,749

Adjusted gross margin	11,713	24,227	35,168	47,138	11,713	12,514	10,941	11,970
as percentage of net sales	31.7%	32.1%	32.3%	32.3%	31.7%	32.5%	32.6%	32.6%
Adjusted operating expenses	-16,773	-31,311	-44,962	-59,309	-16,773	-14,538	-13,651	-14,347
as percentage of net sales	45.4%	41.5%	41.2%	40.7%	45.4%	37.7%	40.7%	39.0%
Adjusted other operating revenues and costs	669	939	1,051	1,126	669	270	112	75
Share in earnings of JV and assoc. companies	-56	-810	-1,439	-1,450	-56	-754	-629	-11
Adjusted operating Income	-4,447	-6,955	-10,182	-12,495	-4,447	-2,508	-3,227	-2,313