

ERICSSON LM TELEPHONE CO
Form 6-K
February 01, 2006

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**

January 31, 2006

LM ERICSSON TELEPHONE COMPANY

(Translation of registrant's name into English)

Torshamnsgatan 23, Kista

SE-164 83, 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 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

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

Announcement of LM Ericsson Telephone company, dated January 31, 2006, regarding Ericsson Q4 2005 and Full Year 2005 Report.

**Fourth quarter report 2005
January 31, 2006**

Ericsson reports full year profit before tax of SEK 33.3 billion

Net sales SEK 45.7 (39.4) b. in the quarter, full year SEK 151.8 (132.0) b.

Net income SEK 8.5 (5.6) b. in the quarter, full year SEK 24.3 (17.5) b. ¹⁾

Earnings per share SEK 0.54 (0.35) in the quarter, full year SEK 1.53 (1.11) ¹⁾

CEO COMMENTS

We have concluded another good year with strong sales, earnings and cash flow, says Carl-Henric Svanberg, President and CEO of Ericsson. We also continue to gain market shares thanks to our customers' confidence in our technology and people. Operational excellence is proving to be a key competitive advantage and we continue to strive for efficiency gains throughout our operations.

We are inspired by the growth in services and the trust our customers show in our ability to operate and maintain their networks. Operators are rapidly increasing their focus on total cost of ownership and the savings we are able to offer are of obvious value. Through several strategic contract wins we have extended our leadership. Our strong position in both services and infrastructure expands the growth potential of our business.

The strong WCDMA/HSDPA development continues. The higher HSDPA transmission speeds make a dramatic difference to the user experiences and we expect most WCDMA operators to launch HSDPA before year-end 2006. So far we have installed 21 networks with HSDPA capabilities in 17 countries around the world, spearheading the development to mobile broadband.

Convergence and next generation IP networks continue to be key development areas for the industry. The upgrade to fixed and mobile broadband is accelerating traffic in the world's networks. The acquisition of Marconi is a strategic move to strengthen our position, both in terms of our offering for the growing transmission segment and in the development of next generation networks, concludes Carl-Henric Svanberg.

FINANCIAL HIGHLIGHTS

2004 numbers restated in accordance with IFRS, please see www.ericsson.com/investors/doc/ifrs_statement.pdf. IAS 39 implemented as of January 1, 2005, related to financial instruments.

Income statement and cash flow

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

SEK b.	Fourth quarter			Third quarter		Full year		
	2005	2004	Change	2005	Change	2005	2004	Change
Net sales	45.7	39.4	16%	36.2	26%	151.8	132.0	15%
Gross margin %	44.2	45.6		45.2		45.7	46.3	
Operating income	10.4	8.9	16%	7.8	33%	33.1	26.7	24%
Operating margin %	22.7	22.7		21.6		21.8	20.2	
Income after financial items	10.1	8.7	16%	8.0	26%	33.3	26.2	27%
Net income ¹⁾	8.5	5.6	52%	5.3	60%	24.3	17.5	39%
Earnings per share, SEK ¹⁾	0.54	0.35		0.34		1.53	1.11	
Cash flow before financial investing activities incl. pension trust funding	13.5	5.3		-1.1		11.3	17.7	
Cash flow before financial investing activities	13.5	5.3		-1.1		19.6	17.7	

¹⁾ *Attributable to stockholders of the parent company, excluding minority interest.*

Sales were up 26% sequentially due to seasonality and strong growth in services. For the full year, sales were up 15% with growth across all regions. Compared to the fourth quarter 2004, all market areas were up except for Western Europe, which was slightly down. Currency exchange effects had only an immaterial impact on sales year-over-year.

Gross margin was 44.2% during the quarter, a slight sequential decline, reflecting the increased proportion of services sales. The operating margin increased sequentially from 21.6% to 22.7% due to higher sales combined with less growth in operating expenses. For the full year, operating expenses increased by 5% while sales grew by 15% reflecting our continuous focus on operational excellence.

Net effects of currency exchange differences on operating income compared to the rates one year ago were SEK -0.2 b. in the quarter and SEK -2.9 b. for the full year.

The financial net was negative in the quarter. This is mainly due to increased interest rates with a short-term negative impact on the market value of financial investments.

Net income increased by 39% for the full year and earnings per share increased by 38% for the full year due to higher sales and strong margins with focus on operational excellence. In addition, the tax rate for the full year decreased to 27% compared to an estimated tax rate of approximately 32%, which was reflected in the fourth quarter. This lower tax rate was a result of certain subsidiaries experiencing positive effects on their tax positions.

Cash flow before financial investing activities was SEK 13.5 b. in the fourth quarter. For the full year, cash flow before financial investing activities was SEK 19.6 b. (17.7 b.) reflecting the strong business performance. Including the funding of a pension trust in early 2005, by SEK 8.3 b., cash flow before financial investing activities for 2005 was SEK 11.3 b.

Balance sheet and other performance indicators

SEK b.	Full year		Nine months
	2005	2004	2005
Net cash	53.4	42.9	41.3
Interest-bearing provisions and liabilities	28.1	33.6	29.3
Days sales outstanding	81	75	102
Inventory turnover	5.0	5.7	4.5
Net customer financing	4.9	3.6	4.5
Equity ratio %	50.5	43.8	49.2

The financial position remained strong for the year. Net cash increased SEK 10.5 b. to SEK 53.4 (42.9) b., and the equity ratio is 50.5% (43.8%), an increase of 7 percentage points during the twelve-month period.

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

Days sales outstanding were 81 days, a decrease of 21 days compared to the third quarter. Inventories, including work in progress, were down in the quarter by SEK 0.6 b. to SEK 19.2 (14.0) b. For the full year, inventories, including work in progress, increased by SEK 5.2 b. due to higher business activities.

Deferred tax assets were reduced by SEK 3.5 b. for the full year, reducing the remaining balance from SEK 20.8 b. to SEK 17.3 at year-end.

Cash outlays with regards to restructuring amounted to SEK 1.5 b. for the full year. Of this, SEK 0.3 b. was paid in the fourth quarter.

MARKET AND BUSINESS HIGHLIGHTS

Long-term industry growth drivers remain solid. Voice and data traffic is increasing steadily as a result of new subscribers, new and improved services and lower tariffs. With increased fixed and mobile broadband capabilities, consumer demands for rich services requiring higher transmission rates can be met. The broadband development fuels the mobile content industry and demand for services such as mobile music, video and mobile TV.

WCDMA/HSDPA continues to gain traction with rollouts and launches in many countries. Ericsson's leading WCDMA position was expanded further during the year with key contracts and build-outs across all regions. At the same time, the GSM business continues to develop favorably with all-time-high shipments. Communication is a basic human need and GSM is a cornerstone of making this possible and will continue to develop well, especially in emerging markets. GSM also paves the way for a migration to WCDMA.

Lowering operating expenses is a key target for operators as competition intensifies and as new richer services increase complexity in their operations. As a consequence, there is a growing interest for Ericsson's managed services portfolio, which offer considerably lower total network operating costs. Sales growth in professional services has accelerated during the year, especially in systems integration, managed services and hosting.

Regional overview

Western Europe sales were up 5% for the full year but declined by 4% compared to same quarter last year. Operator consolidation is ongoing, which affects operator investments in the near term but at the same time, this accelerates focus on total cost of ownership and also drives a growing demand for managed services. The tariff competition is intense and should generate traffic growth and a need for continued capacity investments. Increasing consumer demand for richer services drives accelerating 3G subscriber uptake and operator upgrades to HSDPA (High Speed Data Packet Access).

Eastern Europe, Middle East and Africa sales grew by 19% for the full year and by 22% compared to the same quarter last year. WCDMA/HSDPA deployments have started in certain parts of the region. Most of Africa and the Middle East are however in the early stages of mobile communications development, with GSM as the prevailing technology. Operator consolidation is ongoing, led by regional as well as international players.

Asia Pacific sales grew by 10% for the full year and by 8% compared to same quarter last year. The China market was slower while preparing for 3G and with declining CDMA demand. The region shows great diversity in maturity of mobile communications, from very advanced mobile broadband services in densely populated areas to rural coverage for basic services. The potential for further subscriber growth is huge and the majority of the world's next billion mobile subscribers are expected to come from this region.

North America sales grew by 26% for the full year and by 82% compared to same quarter last year. Through their WCDMA/HSDPA rollout, Cingular is driving the market and leading industry development. Operator competition continues on a high level and operators focus on quality and coverage, as well as on the introduction of new services.

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

Latin America sales grew by 32% for the full year and by 33% compared to same quarter last year. The activity level in Latin America has been high, with continued GSM network rollouts and capacity enhancements to accommodate the strong subscriber growth.

Subscriber growth

During 2005, 35 new WCDMA networks were commercially launched, bringing the total to 91. Ericsson is a supplier to 49 of these networks. The number of WCDMA subscriptions is accelerating and grew by approximately 13 million to more than 47 million during the quarter and have nearly tripled from 16 million at the beginning of 2005.

Net mobile subscription additions were some 450 million in 2005. At year-end, worldwide subscription penetration reached 34% with close to 2.2 billion subscriptions in total, of which more than 1.7 billion are GSM. The strong subscriber additions continue and the global number of

subscriptions is expected to pass three billion before 2010. Approximately 50 million new fixed broadband subscriptions were added during the year.

OUTLOOK

All estimates are measured in USD and refer to market growth compared to previous year.

The traffic growth in the world's mobile networks is expected to continue as a result of both new services and new subscribers. For 2006 we continue to believe that the global mobile systems market, measured in USD, will show moderate growth compared to 2005.

We also continue to believe that the addressable market for professional services will continue to show good growth in 2006.

With our technology leadership and global presence we are well positioned to take advantage of the market opportunities.

SEGMENT RESULTS

2004 numbers restated in accordance with IFRS, please see www.ericsson.com/investors/doc/ifrs_statement.pdf. IAS 39 implemented as of January 1, 2005, related to financial instruments.

Systems

SEK b.	Fourth quarter			Third quarter		Full year		
	2005	2004	Change	2005	Change	2005	2004	Change
Net sales	43.0	36.8	17%	33.9	27%	142.1	122.9	16%
Mobile networks	33.6	29.1	16%	26.8	26%	112.6	98.2	15%
Fixed networks	1.3	1.5	-16%	1.1	12%	4.6	4.6	
Professional services	8.1	6.2	31%	6.0	34%	24.9	20.1	24%
Operating income	9.4	7.9		7.1		30.9	23.2	
Operating margin %	22	21		21		22	19	

Sales in Mobile Networks grew by 15% for the year and 16% compared to same quarter last year. In the evolution from GSM to WCDMA, most customers are deploying networks that combine GSM and WCDMA. Of radio access sales, 47% was WCDMA/EDGE related in the quarter. The strong subscriber additions continue and support the growth in mobile networks sales.

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

Global Services sales (i.e. network rollout plus professional services) increased close to 38% compared to same quarter last year and 29% for the full year. Sales of professional services developed strongly during the quarter and grew 31% compared to same quarter last year and 24% for the full year. Supporting this growth, the number of employees within the services area was expanded by 1,100 in the quarter.

Other Operations

SEK b.	Fourth quarter			Third quarter		Full year		
	2005	2004	Change	2005	Change	2005	2004	Change
Net sales	3.0	3.3	-9%	2.5	20%	10.9	11.4	-4%
Operating income	0.2	0.5		0.1		0.3	1.3	
Operating margin %	7	14		5		3	11	

Operating margin within Other operations was negatively affected by approximately SEK 0.2 b. due to one-off payments for patent dispute settlement.

Both Ericsson Mobile Platforms and Ericsson Network Technologies (Cables) showed good growth while other units showed decreasing sales.

SONY ERICSSON MOBILE COMMUNICATIONS

For information on transactions with Sony Ericsson Mobile Communications, please see Financial statements and additional information.

Sony Ericsson Mobile Communications (Sony Ericsson) reported a record year in 2005 with 51.2 million units shipped, up 21% for the full year. Sales increased by 11% to EUR 7.3 b. Net income for 2005 was EUR 356 million which represents an increase of EUR 40 million compared to the previous year. Ericsson's share in Sony Ericsson's income before tax was SEK 2.3 b. for the full year, compared to SEK 2.1 b. in 2004.

The fourth quarter was a record quarter in terms of volumes, sales and net income for Sony Ericsson. The second half of 2005 was particularly strong due to the success of hit model phones in both the imaging and music product categories. A highlight of Sony Ericsson's year was the global success of Walkman branded music phones such as the W800, W600, W550 and the W900. Since the first Walkman branded phone was launched in volume in August, Sony Ericsson has shipped 3 million Walkman branded units.

ERICSSON BUSINESS AND TECHNOLOGY MILESTONES 2005

GSM/WCDMA

The success of GSM continues, adding both additional subscribers and coverage across the world, particularly in emerging markets. GSM/WCDMA has become the prevailing mobile standard with over 80% of all subscribers in the world.

New GSM customers and expansion contracts were announced in countries such as Argentina, Bangladesh, China, Colombia, Costa Rica, Ethiopia, India, Indonesia, Pakistan, Russia, Serbia, Sri Lanka, Turkey, Ukraine, Uruguay and Vietnam as well as the supply of T-Mobile's new GSM network in Germany.

Ericsson's technology leadership was demonstrated by new and expansion WCDMA contracts announced with BITE Group, Cellcom, Connex, EMT, Far EasTone, Finnet, H3G in UK, Maxis, Pannon GSM, Partner, Polska Telefonica Cyfrowa, Svenska UMTS-N, TDC, Telstra, T-Mobile Hungary, T-Mobile Slovakia, General Dynamics, Vibo Telecom and Vodafone Fiji.

Next generation networks

By year-end, Ericsson's HSDPA solution was installed in 21 networks in 17 countries. Ericsson started the year off by setting a world record in high-speed data downloads (HSDPA) with 11 Mbps over the air. Ericsson and 3 Scandinavia also demonstrated 1.5 Mbps enhanced uplink (HSUPA) in a live WCDMA system.

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

Ericsson signed 18 IMS system contracts for commercial launch and additionally performed 37 trials based on the IMS standard. The worldwide contracts include GSM/GPRS, WCDMA, CDMA2000 and wireline implementations.

Ericsson's softswitch solutions are handling traffic in 60 commercially deployed networks worldwide. In 2005, Ericsson announced agreements for mobile and fixed softswitches with Al Madar, AMX, BT's 21st Century, Celtel, Maltacom, Mobtel, iiNet, ONI, REACH, SunCom Wireless, Telecom Egypt, TeliaSonera International Carrier, VimpelCom and Vodafone Fiji.

Ericsson's competitive high performance IP-based broadband solutions are gaining momentum with contracts announced in Australia, Denmark, Greece, Hungary, Malaysia, Northern Latin America, Norway, Philippines, Sweden, UK and Vietnam. Ericsson has won agreements for delivery of two million next generation IP broadband access lines, representing approximately a 15% share of this fast growing market.

Services

2005 was a breakthrough year for managed services for operations and for hosting. Announced contracts include BASE, Bharti, EMT, GrameenPhone, H3G (Sweden, Norway, Denmark), H3G Italy, H3G UK, ICE, M1, Maxis, Nawras, ONI, SeaMobile, Sonaecom, Sun Cellular, Telemar/Oi, Vivo, Vodafone Fiji and Warid Telecom. The contracts with H3G in Italy and UK are the largest in the industry to date and are further evidence of Ericsson's leading position in this field. The latter contract also included supply of infrastructure.

Major integration projects during the year include the nationwide merger and migration of Cingular's mobile network and service delivery platform and taking the role as prime integrator of the multi-vendor IMS solution for Sprint. Announced systems integration and service delivery platform contracts include Telstra (Australia) and Taiwan Cellular Corporation.

Other business highlights

Ericsson Mobile Platforms (EMP) has reached a number of milestones during the year including: 30 WCDMA/GPRS models launched based on Ericsson's mobile platforms, Ericsson technology used in more than 15 million of the world's WCDMA handsets and EMP was first to complete seamless handover between EDGE and WCDMA. During the year EMP announced new customers Arima and SAGEM. Earlier announced customers include Amoi, Bellwave, Flextronics, HTC, LG Electronics, Lite-On, NEC, Sharp, Sony Ericsson and TCL Mobile.

Ericsson launched the world's first interactive mobile TV solution together with NRK in Norway.

Ericsson's push e-mail solution (Ericsson Mobile Organizer, EMO) was officially chosen by Idea Cellular, MobileCom, Sun Cellular, Telemar/Oi and Wataniya Telecom.

PARENT COMPANY INFORMATION

Net sales for the year amounted to SEK 1.1 (2.6) b. and income after financial items was SEK 14.0 (7.4) b. Profits from disposal of shares to a subsidiary have affected income positively by SEK 6.7 b.

Major changes in the Parent Company's financial position for the year include increased short- and long-term receivables from subsidiaries of SEK 11.3 b., increased investments in subsidiaries of SEK 4.2 b. and decreased other current receivables of SEK 4.5. At year-end, cash and short-term cash investments amounted to SEK 75.0 (71.7) b.

In accordance with the conditions of the Stock Purchase Plans and Option Plans for Ericsson employees, 7,202,621 shares from treasury stock were sold or distributed to employees during the fourth quarter. The holding of treasury stock at December 31, 2005, was 268,065,241 Class B shares.

DIVIDEND PROPOSAL

The Board of Directors will propose to the Annual General Meeting a dividend of SEK 0.45 per share and Thursday, April 13, 2006, as record day for payment of dividend.

ANNUAL REPORT

The annual report will be made available to shareholders at the Ericsson headquarters, Torshamnsgatan 23, Stockholm, approximately two weeks prior to the Annual General Meeting 2006.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of shareholders will be held on April 10, 2006, 15.00 (CET) in Stockholm Globe Arena.

ACQUISITION OF MARCONI S TELECOMMUNICATIONS BUSINESS

On October 25, 2005, Ericsson announced the intention to acquire strategic parts of Marconi s telecommunications business for SEK 16.8 b. in cash. The acquisition strengthens Ericsson s position in the accelerating transmission segment and expands Ericsson s platform for leadership in next generation converging networks. As fixed and mobile services converge, Ericsson s customers will benefit from the acquisition.

Marconi shareholder and relevant regulatory approvals have been obtained and closing took place on January 23, 2006, with the exception of a few smaller subsidiaries.

Ericsson has acquired assets expected to generate 2005 sales of approximately SEK 14.0 b. (GBP 1.0 b.). The acquired businesses had net tangible assets of approximately SEK 1.4 b. (GBP 0.1 b.) as of September 30, 2005. The acquisition cost will mainly be allocated to intellectual property rights (patents, brands, trade marks, etc), which are expected to be tax deductible. The acquired Marconi businesses are expected to have a neutral effect on earnings per share in 2006 and contribute positively to earnings per share from 2007.

The integration process is developing according to plan. The head of the integration process is reporting to the President and CEO of Ericsson. Marconi products and solutions are planned to be fully integrated into Ericsson s portfolio. Under the transaction approximately 6,660 employees have been transferred to Ericsson in January 2006.

CHANGE IN ACCOUNTING PRINCIPLES FOR PENSIONS 2006

Effective January 2006, Ericsson will adopt the new option in IAS 19, Employee benefits, on how to recognize actuarial gains and losses. The currently used method to recognize actuarial gains and losses - to the extent that they fall outside the 10%-corridor - is that they are amortized over the average remaining service time of plan participants. Instead, all actuarial gains and losses will effective January 1, 2006, be recognized directly to equity, net of deferred tax, in the period they occur. The amount recognized in equity will be disclosed and reconciled in a statement of changes in equity, Statement of recognized income and expense . Earlier reporting-periods will be restated accordingly. The adoption of the new option will increase provision for post-employment benefits with net SEK 3.5 b., and will affect equity by approximately SEK 2.5 b.

Stockholm, January 31, 2006

Carl-Henric Svanberg

President and CEO

Date for next report: April 21, 2006

AUDITORS REPORT

We have reviewed the interim report for the twelve-month period ended December 31, 2005, 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 provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements for interim reports in the Annual Accounts Act and IAS 34.

Stockholm, January 31, 2006

Bo Hjalmarsson
Authorized Public Accountant
PricewaterhouseCoopers AB

Peter Clemetson
Authorized Public Accountant
PricewaterhouseCoopers AB

Thomas Thiel
Authorized Public Accountant

EDITOR S NOTE

To read the complete report with tables please go to: http://www.ericsson.com/investors/financial_reports/2005/12month05-en.pdf

Ericsson invites the media, investors and analysts to a press conference at the Ericsson headquarters, Torshamnsgatan 23, Stockholm, at 09.00 (CET), January 31.

An analyst and media conference call will begin at 14.00 (CET).

Live audio webcast of the press conference and conference call as well as supporting slides will be available at www.ericsson.com/press and www.ericsson.com/investors

FOR FURTHER INFORMATION PLEASE CONTACT

Henry Sténson, Senior Vice President,
Communications
Phone: +46 8 719 4044
E-mail: investor.relations@ericsson.com or press.relations@ericsson.com

Investors
Gary Pinkham, Vice President,
Investor Relations
Phone: +46 8 719 0000;
E-mail: investor.relations@ericsson.com

Susanne Andersson, Investor Relations
Phone: +46 8 719 4631;
E-mail: investor.relations@ericsson.com

Glenn Sapadin, Investor Relations,
North America
Phone: +1 212 843 8435;
E-mail: investor.relations@ericsson.com

Media
Åse Lindskog, Director,
Head of Media Relations
Phone: +46 8 719 9725, +46 730 244 872;
E-mail: press.relations@ericsson.com

Ola Rembe, Director,
Media Relations
Phone: +46 8 719 9727, +46 730 244 873;
E-mail: press.relations@ericsson.com

Telefonaktiebolaget LM Ericsson (publ)

Org. number: 556016-0680

Torshamnsgatan 23

SE-164 83 Stockholm

Phone: +46 8 719 00 00

www.ericsson.com

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

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, continues, or variations 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.

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

	Page
Financial statements	
<u>Consolidated income statement</u>	10
<u>Consolidated balance sheet</u>	11
<u>Consolidated statement of cash flows</u>	12
<u>Changes in equity</u>	13
<u>Consolidated income statement - isolated quarters</u>	14
	Page
Additional information	
<u>Accounting policies, Ericsson adoption of IAS/IFRS in 2005</u>	15
<u>Net sales by segment by quarter</u>	19
<u>Operating income, operating margin and employees by segment by quarter</u>	20
<u>Net sales by market area by quarter</u>	21
<u>External net sales by market area by segment</u>	22
<u>Top ten markets in sales</u>	23
<u>Customer financing risk exposure</u>	23
<u>Transactions with Sony Ericsson Mobile Communications</u>	23
<u>Other information</u>	24

ERICSSON

CONSOLIDATED INCOME STATEMENT

SEK million	Oct - Dec			Jan - Dec		
	2005	2004	Change	2005	2004	Change
Net sales	45,665	39,430	16%	151,821	131,972	15%
Cost of sales	-25,497	-21,451		-82,369	-70,864	
Gross margin	20,168	17,979	12%	69,452	61,108	14%
Gross margin %	44.2%	45.6%		45.7%	46.3%	
Research and development and other technical expenses	-6,378	-6,804		-24,454	-23,421	
Selling and administrative expenses	-5,332	-4,002		-16,800	-15,921	
Operating expenses	-11,710	-10,806		-41,254	-39,342	
Other operating income	883	1,150		2,491	2,617	