



## PRESS RELEASE

July 11, 2007

# Sony Ericsson continues profitable growth and market share gains

### Q2 Highlights:

- Continued strong year-on-year volume growth of 59%
- Income before tax grew 55% year-on-year to €327 million
- Walkman® phone sales of 9 million in quarter sustain leadership in music phones
- Expanded portfolio continues to generate market share gains

The consolidated financial summary for Sony Ericsson Mobile Communications AB (Sony Ericsson) for the second quarter ended June 30, 2007 is as follows:

	<u>Q2 2006</u>	<u>Q1 2007</u>	<u>Q2 2007</u>
Number of units shipped (million)	15.7	21.8	24.9
Sales (Euro m.)	2,272	2,925	3,112
Gross Margin (%)	28.5%	30.3%	29.6%
Operating Income (Euro m.)	203	346	315
Operating Income (%)	8.9%	11.8%	10.1%
Income before taxes (Euro m.)	211	362	327
Net income (Euro m.)	143	254	220
Average Sales Price (Euro)	145	134	125

Units shipped in the quarter reached 24.9 million, a 59% increase compared to the same period last year, generating both year-on-year and sequential market share gains. Sales for the quarter were Euro 3,112 million, representing a year-on-year increase of 37%. Income before taxes for the quarter was Euro 327 million, representing a year-on-year increase of 55%. Net income for the quarter was Euro 220 million. In line with Sony Ericsson expectations, the increase in Q2 in low and mid-tier priced phones in the product portfolio resulted in a decline in ASP to Euro 125.

“Sony Ericsson has continued to capture market share in a more competitive market place with a product offering that addresses a wider consumer audience than ever before. Our financial results for Q2 2007 reflect our direction to build our brand in key imaging, music and multimedia categories with a portfolio that includes more competitively priced phones,” said Miles Flint, President of Sony Ericsson. “We expect the market in 2007 to remain competitive, but with recently announced products such as the flag-ship Walkman® and Cyber-shot™ models we aim to continue to grow faster than the market.”

During the quarter Sony Ericsson continued to capture market share in Latin America, Western Europe and CEEMEA (Central and Eastern Europe, Middle East, Africa) due to low and mid-tier feature phones such as the W300 and W200 Walkman® phones and the K310 and Z310 phones. At the same time, the company continued to strengthen its product line up by announcing a large number of new products across a variety of price points, including the K850, an HSDPA, 5 mega-pixel flag-ship Cyber-shot™ phone, and the W960, a high-end Walkman® phone with 8GB of on-board storage.

Following an announcement in January that Sony Ericsson would start the local manufacture of phones in India through its global manufacturing partners Flextronics and Foxconn, in Q2 the company extended its commitment to this important and rapidly growing market by announcing plans to establish its own research and development unit in Chennai later in the year.

In Q2 new trademark royalty fees were agreed with the parent companies, and these additional expenses were recorded for the first time in the second quarter.

Sony Ericsson forecasts that the 2007 global handset market will be above 1.1 billion units. The company grew market share in Q2 2007 around 3 percentage points to well over 9% compared with the same period last year.

WALKMAN® and Cyber-shot™ are trademarks or registered trademarks of Sony Corporation.

## **EDITOR'S NOTES:**

### Financial Statements and Additional Information:

#### Financial Statements:

Consolidated Income Statement  
Consolidated Income Statement – Year-to-Date  
Consolidated Income Statement – Isolated Quarters  
Consolidated Balance Sheet  
Consolidated Statement of Cash Flows  
Consolidated Statement of Cash Flows – Year-to-Date  
Consolidated Statement of Cash Flows – Isolated Quarters

#### Additional Information:

Net Sales by Market Area by Quarter

- ENDS -

*Sony Ericsson Mobile Communications serves the global communications market with innovative and feature-rich mobile phones, accessories and PC-cards. Established as a joint venture by Sony and Ericsson in 2001, with global corporate functions located in London, including R&D sites in Europe, Japan, China and America, Sony Ericsson celebrated the 5th anniversary of the start of the joint venture on 1st October, 2006. Sony Ericsson is the global title sponsor of the Women's Tennis Association, and works with the Association to promote the Sony Ericsson WTA Tour in over 80 cities during the year. For more information on Sony Ericsson, please visit [www.sonyericsson.com](http://www.sonyericsson.com)*

## **CONTACTS:**

### Investors/Analysts

#### **Ericsson Investor Relations**

Gary Pinkham (Stockholm) +46 8 719 0858

#### **Sony Investor Relations**

Tatsuyuki Sonoda (Tokyo) +81 3 6748 2180  
Shinji Tomita (London) +44 207 444 9713

### Press/Media

#### **Sony Ericsson Corporate Communications**

Aldo Liguori (London) +44 208 762 5860

Merran Wrigley (London) +44 208 762 5862

*This press release contains forward-looking statements that involve inherent risks and uncertainties. We have identified certain important factors that may cause actual results to differ materially from those contained in such forward-looking statements. For a detailed description of risk factors see Sony's and Ericsson's filings with the US Securities and Exchange Commission, particularly each company's latest published Annual Report on Form 20-F.*

**Sony Ericsson**  
**CONSOLIDATED INCOME STATEMENT**

EUR million	Apr-Jun		Change
	2007	2006	
Net sales	3,112	2,272	37%
Cost of sales	-2,192	-1,625	35%
<b>Gross profit</b>	<b>921</b>	<b>647</b>	<b>42%</b>
Gross margin %	29.6%	28.5%	1%
Research and development expenses	-283	-223	27%
Selling and administrative expenses	-321	-246	30%
<b>Operating expenses</b>	<b>-604</b>	<b>-470</b>	<b>29%</b>
Other operating income, net	-2	26	-106%
<b>Operating income</b>	<b>315</b>	<b>203</b>	<b>55%</b>
Operating margin %	10.1%	8.9%	1%
Financial income	18	8	120%
Financial expenses	-6	0	-
<b>Income after financial items</b>	<b>327</b>	<b>211</b>	<b>55%</b>
Taxes	-97	-64	53%
Minority interest	-10	-5	112%
<b>Net income</b>	<b>220</b>	<b>143</b>	<b>54%</b>
Number of units shipped (million)	24.9	15.7	59%
ASP (EUR)	125	145	-14%

**Sony Ericsson  
CONSOLIDATED INCOME STATEMENT**

EUR million	Jan-Jun		Change
	2007	2006	
Net sales	6,037	4,264	42%
Cost of sales	-4,231	-3,094	37%
<b>Gross profit</b>	<b>1,806</b>	<b>1,170</b>	<b>54%</b>
Gross margin %	29.9%	27.4%	2%
Research and development expenses	-544	-425	28%
Selling and administrative expenses	-605	-433	40%
<b>Operating expenses</b>	<b>-1,149</b>	<b>-858</b>	<b>34%</b>
Other operating income, net	4	34	-89%
<b>Operating income</b>	<b>662</b>	<b>346</b>	<b>91%</b>
Operating margin %	11.0%	8.1%	3%
Financial income	36	17	115%
Financial expenses	-9	0	-
<b>Income after financial items</b>	<b>689</b>	<b>363</b>	<b>90%</b>
Taxes	-197	-98	102%
Minority interest	-18	-13	40%
<b>Net income</b>	<b>474</b>	<b>252</b>	<b>88%</b>
Number of units shipped (million)	46.7	29.0	61%
ASP (EUR)	129	147	-12%

**Sony Ericsson**  
**CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS**

EUR million	2007		2006			
	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	3,112	2,925	3,782	2,913	2,272	1,992
Cost of sales	-2,192	-2,039	-2,686	-1,995	-1,625	-1,469
<b>Gross profit</b>	<b>921</b>	<b>886</b>	<b>1,096</b>	<b>917</b>	<b>647</b>	<b>524</b>
Gross margin %	29.6%	30.3%	29.0%	31.5%	28.5%	26.3%
Research and development expenses	-283	-261	-256	-225	-223	-202
Selling and administrative expenses	-321	-284	-367	-287	-246	-186
<b>Operating expenses</b>	<b>-604</b>	<b>-545</b>	<b>-623</b>	<b>-511</b>	<b>-470</b>	<b>-388</b>
Other operating income, net	-2	5	10	21	26	7
<b>Operating income</b>	<b>315</b>	<b>346</b>	<b>484</b>	<b>427</b>	<b>203</b>	<b>143</b>
Operating margin %	10.1%	11.8%	12.8%	14.6%	8.9%	7.2%
Financial income	18	18	19	8	8	9
Financial expenses	-6	-2	0	-1	0	0
<b>Income after financial items</b>	<b>327</b>	<b>362</b>	<b>502</b>	<b>433</b>	<b>211</b>	<b>151</b>
Taxes	-97	-100	-43	-127	-64	-34
Minority interest	-10	-9	-12	-8	-5	-9
<b>Net income</b>	<b>220</b>	<b>254</b>	<b>447</b>	<b>298</b>	<b>143</b>	<b>109</b>
Number of units shipped (million)	24.9	21.8	26.0	19.8	15.7	13.3
ASP (EUR)	125	134	146	147	145	149

**Sony Ericsson**  
**CONSOLIDATED BALANCE SHEET**

EUR million	Jun30 2007	Mar 31 2007	Dec 31 2006	Jun 30 2006
<b>ASSETS</b>				
<b>Total fixed and financial assets</b>	<b>498</b>	<b>495</b>	<b>469</b>	<b>311</b>
<b>Current assets</b>				
Inventories	477	498	437	318
Accounts receivables	1,831	1,566	1,653	1,101
Other assets	845	859	310	196
Other short-term cash investments	1,071	1,376	1,580	897
Cash and bank	659	668	693	698
<b>Total current assets</b>	<b>4,882</b>	<b>4,968</b>	<b>4,673</b>	<b>3,210</b>
<b>Total assets</b>	<b>5,380</b>	<b>5,463</b>	<b>5,141</b>	<b>3,521</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity	1,702	2,033	1,781	1,048
Minority interest	63	55	45	59
<b>Total equity</b>	<b>1,764</b>	<b>2,088</b>	<b>1,826</b>	<b>1,106</b>
<b>Total long-term liabilities</b>	<b>21</b>	<b>22</b>	<b>20</b>	<b>17</b>
Accounts payable	1,371	1,316	1,276	954
Other current liabilities	2,224	2,037	2,019	1,444
<b>Total current liabilities</b>	<b>3,595</b>	<b>3,353</b>	<b>3,296</b>	<b>2,398</b>
<b>Total shareholders' equity and liabilities</b>	<b>5,380</b>	<b>5,463</b>	<b>5,141</b>	<b>3,521</b>
Net cash*	1,729	2,045	2,272	1,556

\* Net cash is defined as cash and bank plus short-term cash investments less interesting bearing liabilities.

**Sony Ericsson**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

EUR million	Apr-Jun	
	2007	2006
<b>OPERATIONS</b>		
Net income	220	143
Adjustments to reconcile net income to cash	30	22
	<b>250</b>	<b>165</b>
Changes in operating net assets	16	18
<b>Cash flow from operating activities</b>	<b>266</b>	<b>183</b>
<b>INVESTMENTS</b>		
Investing activities	-31	-29
<b>Cash flow from investing activities</b>	<b>-31</b>	<b>-29</b>
<b>FINANCING</b>		
Financing activities	- 548	26
<b>Cash flow from financing activities</b>	<b>-548</b>	<b>26</b>
<b>Net change in cash</b>	<b>-312</b>	<b>180</b>
<b>Cash, beginning of period</b>	<b>2,045</b>	<b>1,428</b>
<b>Translation difference in Cash</b>	<b>-3</b>	<b>-13</b>
<b>Cash, end of period</b>	<b>1,730</b>	<b>1,595</b>

**Sony Ericsson**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

EUR million	Jan-Jun	
	2007	2006
<b>OPERATIONS</b>		
Net income	474	252
Adjustments to reconcile net income to cash	58	42
	<b>532</b>	<b>294</b>
Changes in operating net assets	-437	71
<b>Cash flow from operating activities</b>	<b>95</b>	<b>365</b>
<b>INVESTMENTS</b>		
Investing activities	-85	-72
<b>Cash flow from investing activities</b>	<b>-85</b>	<b>-72</b>
<b>FINANCING</b>		
Financing activities	- 548	-210
<b>Cash flow from financing activities</b>	<b>-548</b>	<b>-210</b>
<b>Net change in cash</b>	<b>-538</b>	<b>83</b>
<b>Cash, beginning of period</b>	<b>2,273</b>	<b>1,537</b>
<b>Translation difference in Cash</b>	<b>-5</b>	<b>-25</b>
<b>Cash, end of period</b>	<b>1,730</b>	<b>1,595</b>

**Sony Ericsson**  
**CONSOLIDATED STATEMENT OF CASH FLOWS - ISOLATED QUARTERS**

EUR million	Apr-Jun 2007	Jan-Mar 2007	Oct - Dec 2006	Jul-Sep 2006	Apr-Jun 2006	Jan-Mar 2006
<b>OPERATIONS</b>						
Net income	220	254	447	298	143	109
Adjustments to reconcile net income to cash	30	28	23	20	22	20
	<b>250</b>	<b>282</b>	<b>470</b>	<b>318</b>	<b>165</b>	<b>129</b>
Changes in operating net assets	16	-454	50	-21	18	53
<b>Cash flow from operating activities</b>	<b>266</b>	<b>-172</b>	<b>520</b>	<b>297</b>	<b>183</b>	<b>182</b>
<b>INVESTMENTS</b>						
Investing activities	-31	-53	-26	-36	-29	-43
<b>Cash flow from investing activities</b>	<b>-31</b>	<b>-53</b>	<b>-26</b>	<b>-36</b>	<b>-29</b>	<b>-43</b>
<b>FINANCING</b>						
Financing activities	- 548	- 1	- 66	- 2	26	- 236
<b>Cash flow from financing activities</b>	<b>-548</b>	<b>-1</b>	<b>-66</b>	<b>-2</b>	<b>26</b>	<b>-236</b>
<b>Net change in cash</b>	<b>-312</b>	<b>-226</b>	<b>428</b>	<b>259</b>	<b>180</b>	<b>-97</b>
<b>Cash, beginning of period</b>	<b>2,045</b>	<b>2,273</b>	<b>1,861</b>	<b>1,595</b>	<b>1,428</b>	<b>1,537</b>
<b>Translation difference in Cash</b>	<b>-3</b>	<b>-2</b>	<b>-16</b>	<b>7</b>	<b>-13</b>	<b>-12</b>
<b>Cash, end of period</b>	<b>1,730</b>	<b>2,045</b>	<b>2,273</b>	<b>1,861</b>	<b>1,595</b>	<b>1,428</b>

**Sony Ericsson**  
**NET SALES BY MARKET AREA BY QUARTER**

EUR million

Isolated quarters	2007		2006			
	Q2	Q1	Q4	Q3	Q2	Q1
Europe, Middle East & Africa *	1,729	1,598	2,145	1,600	1,090	1,029
Americas	499	365	555	417	328	250
Asia	885	961	1,082	896	853	713
<b>Total</b>	<b>3,112</b>	<b>2,925</b>	<b>3,782</b>	<b>2,913</b>	<b>2,272</b>	<b>1,992</b>
* of which Western Europe	1,102	1,078	1,478	1,115	748	674

Sequential change (%)	2007		2006			
	Q2	Q1	Q4	Q3	Q2	Q1
Europe, Middle East & Africa *	8%	-26%	34%	47%	6%	-27%
Americas	37%	-34%	33%	27%	31%	-19%
Asia	-8%	-11%	21%	5%	20%	20%
<b>Total</b>	<b>6%</b>	<b>-23%</b>	<b>30%</b>	<b>28%</b>	<b>14%</b>	<b>-14%</b>
* of which Western Europe	2%	-27%	33%	49%	11%	-35%

Year over year change (%)	2007		2006			
	Q2	Q1	Q4	Q3	Q2	Q1
Europe, Middle East & Africa *	59%	55%	52%	35%	43%	71%
Americas	52%	46%	79%	77%	53%	53%
Asia	4%	35%	83%	42%	33%	36%
<b>Total</b>	<b>37%</b>	<b>47%</b>	<b>64%</b>	<b>42%</b>	<b>41%</b>	<b>55%</b>
* of which Western Europe	47%	60%	45%	33%	42%	84%

Year to date	2007		2006			
	0706	0703	0612	0609	0606	0603
Europe, Middle East & Africa *	3,328	1,598	5,865	3,720	2,120	1,029
Americas	864	365	1,550	995	578	250
Asia	1,846	961	3,544	2,462	1,566	713
<b>Total</b>	<b>6,037</b>	<b>2,925</b>	<b>10,959</b>	<b>7,177</b>	<b>4,264</b>	<b>1,992</b>
* of which Western Europe	2,179	1,078	4,014	2,537	1,422	674

YTD year over year change (%)	2007		2006			
	0706	0703	0612	0609	0606	0603
Europe, Middle East & Africa *	57%	55%	48%	46%	56%	71%
Americas	49%	46%	68%	62%	53%	53%
Asia	18%	35%	48%	37%	35%	36%
<b>Total</b>	<b>42%</b>	<b>47%</b>	<b>51%</b>	<b>45%</b>	<b>47%</b>	<b>55%</b>
* of which Western Europe	53%	60%	46%	46%	59%	84%