ERICSSON LM TELEPHONE CO
Form 20-F
April 29, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

¨ **Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934**

or

x **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Fiscal Year Ended December 31, 2008

or

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from/to

or

¨ **Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
Date of event requiring this shell company report:

Commission file number 000 12033

TELEFONAKTIEBOLAGET LM ERICSSON

(Exact Name of Registrant as Specified in Its Charter)

LM ERICSSON TELEPHONE COMPANY

(Translation of Registrant s Name Into English)

Kingdom of Sweden

(Jurisdiction of Incorporation or Organization)

SE-164 83 Stockholm, Sweden

(Address of Principal Executive Offices)

Roland Hagman, Vice President Group Function Financial Control

Telephone: +46 8 719 53 80, Facsimile: +46 8 719 42 22

SE-164 83 Stockholm, Sweden

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
American Depositary Shares	**The NASDAQ Stock Market LLC**
B Shares*	**The NASDAQ Stock Market LLC**

* Not for trading, but only in connection with the registration of the American Depositary Shares representing such B Shares pursuant to the requirements of the Securities and Exchange Commission

Securities registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the Annual Report:

B shares (SEK 1.00 nominal value)	14,823,478,760
A shares (SEK 1.00 nominal value)	1,308,779,918
C shares (SEK 1.00 nominal value)	0

Indicate by check mark if the registrant is a well-seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

x Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board x Other ¨

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 x Item 18 ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

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ERICSSON ANNUAL REPORT ON FORM 20-F 2008

FORM 20-F 2008 CROSS REFERENCE TABLE

Our Annual Report on Form 20-F consists of the Swedish Annual Report for 2008, with certain adjustments to comply with U.S. requirements, together with certain other information required by Form 20-F which is set forth under the heading Supplemental Information. The following cross reference table indicates where information required by Form 20-F may be found in this document.

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THIS IS ERICSSON IN 2008

As the world s largest supplier of network equipment and related services to telecom operators, Ericsson has over 78,000 employees and customers in more than 175 countries. Innovation, technology leadership and sustainable business solutions advance a vision to be the prime driver in an all-communicating world. Long-term relationships with all major operators result in Ericsson serving well over 40 percent of all mobile subscribers. Ericsson manages a number of operator-owned networks with, altogether, 250 million subscribers globally. The Sony Ericsson joint venture is a major supplier of feature-rich mobile phones.

FINANCIAL RESULTS IN SHORT

Sales grew by 11 percent to SEK 209 billion
with global demand across the entire portfolio.

Operating margin was 11.4 (16.3) percent, excluding restructuring charges,
due to a gross margin decrease along with insignificant contribution from Sony Ericsson compared to 2007.

Earnings per share 49 percent lower, SEK 3.52,
negatively impacted by restructuring charges and Sony Ericsson.

Payment readiness improved from SEK 65 billion to SEK 85 billion at year end,
with working capital efficiency improvements.

KEY DEVELOPMENTS

650 million new mobile subscriptions added to reach the 4 billion mark.

Emerging markets fastest growing, with India and China now our largest markets.

Record year for GSM network shipments.

Weaker demand for replacement phones affecting mobile phone market but usage grew.

Mobile broadband took off with more than doubled subscriptions and peak data rates of 21 Mbps.

Joint venture to build leading position in semiconductors and platforms for mobile devices.

Multimedia investments start to pay off with especially good progress in Revenue Management and Service Delivery & Provisioning.

LTE established as first true global mobile standard.

Introduced new multi-standard radio base station.

Expanded presence in Silicon Valley to strengthen our position in IP technologies.

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DEAR FELLOW SHAREHOLDERS,

We may be living in uncertain times, but there s one thing that gives me a strong belief in the future of our business: the majority of people worldwide appreciate the benefits that our products and services bring.

Mobile subscriptions have now reached the four billion mark, a remarkable achievement that reinforces our vision to be the prime driver in an all-communicating world. This was also the year that mobile broadband really took off and Ericsson was a key contributor to both of these milestones. As you can see from the results, our strategy and commitment to our vision are paying off.

Financially strong

We had a solid performance this year with robust sales growth and best-in-class margins. Ericsson s strong financial position enables us to pursue strategic opportunities, such as quickly building a market-leading position in core mobile phone technologies from a joint venture with STMicroelectronics.

The turmoil within the financial markets is leading to a macroeconomic downturn that will eventually affect all parts of society. However, the vast majority of our customers are financially strong. Their networks are well dimensioned, but traffic is growing rapidly which drives the need for continued spending to maintain quality of service.

So far, our network and services businesses have hardly been affected at all by the financial markets turmoil. This is not to say we take the macro-economic situation lightly, as it would be unreasonable to believe that we will not be affected in some way. We are therefore accelerating our move to all-IP technology to reduce our costs and prepare for tougher times. As the cost reductions largely come from more efficient ways of working, our strategy and unique capabilities should be unaffected.

Weakening demand for replacement phones is, however, impacting Sony Ericsson, especially in Western Europe. The JV is adjusting to the deteriorating market conditions with significant cost reduction activities which will restore its capability for profitable growth.

Benefiting from long-term trends

Despite the current macro-economic environment, the fundamentals of our industry are sound and the underlying demand drivers remain intact. Today, mobile communication is just as essential to any nation s infrastructure as water, transportation or electricity.

The socio-economic contributions of mobile communications are well demonstrated with the importance of broadband increasing. The US Senate Appropriations Committee estimates that for every USD 1 invested in broadband networks, USD 10 are returned to society. The returns could be even higher with mobile broadband networks as they are cheaper and faster to build than fixed networks.

Ericsson plays a vital role in bringing the benefits of mobile broadband to the majority of people around the world. People in many parts of the world will soon be able to accomplish things that were never possible before share ideas and information whenever and wherever they want, get medical advice and e-learning, stay in touch with family and friends and much more.

In many ways, 2008 was the year of mobile broadband. Data traffic increased dramatically in mobile broadband networks built by Ericsson, particularly for operators using bundled tariffs or a flat fee structure. We delivered software enhancements that tripled peak data rates, enabling a user experience and cost similar to fixed broadband. Further enhancements are in the works.

A new radio standard, Long Term Evolution (LTE), which offers even greater speeds, is now the first truly global mobile standard. However, GSM and WCDMA systems will coexist for some time and we have developed a new, more energy-efficient radio base station that also supports multiple standards.

What s more, our services business gained market share and we now manage a variety of operator networks, serving some 250 million subscribers worldwide.

Trusted partner

Being a trusted partner means working closely with our customers to fully understand their strategic needs and intentions. Customers tell us that we earn our competitive advantage by actively listening, sharing and exploring ways to cooperatively develop the most efficient solutions. Our mobile communications infrastructure, technology leadership, and telecom services expertise are highly rated by our customers in independent studies. Trust in Ericsson helps us to outperform the market and places Ericsson well ahead of the competition.

In closing, I am very excited about the potential of the telecommunications industry to improve the quality of life in societies around the world. I take great pride in Ericsson s role in making this happen.

Carl-Henric Svanberg

President and CEO

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FIVE-YEAR SUMMARY

SEK million	2008	2007	2006	2005	2004
Income statement items					
Net sales	**208,930**	187,780	179,821	153,222	131,972
Operating income	**16,252**	30,646	35,828	33,084	26,706
Financial net	**974**	83	165	251	-540
Net income	**11,667**	22,135	26,436	24,460	17,836
YEAR-END POSITION					
Total assets	**285,684**	245,117	214,940	209,336	186,186
Working capital	**99,951**	86,327	82,926	86,184	69,268
Capital employed	**182,439**	168,456	142,447	133,332	115,144
Net cash	**34,651**	24,312	40,728	50,645	42,911
Property, plant and equipment	**9,995**	9,304	7,881	6,966	5,845
Stockholders equity	**140,823**	134,112	120,113	101,622	80,445
Minority interests	**1,261**	940	782	850	1,057
Interest-bearing liabilities and post-employment benefits	**40,354**	33,404	21,552	30,860	33,643
OTHER INFORMATION					
Earnings, per share, basic, SEK	**3.54**	6.87	8.27	7.67	5.54
Earnings, per share, diluted, SEK	**3.52**	6.84	8.23	7.64	5.54
Cash dividends per share, SEK	**1.85**[1)]	2.50	2.50	2.25	1.25
Stockholders equity per share, SEK	**44.21**	42.17	37.82	32.03	25.40
Number of shares outstanding (in millions)					
at end of period, basic	**3,185**	3,180	3,176	3,173	3,167
average, basic	**3,183**	3,178	3,174	3,169	3,166
average, diluted	**3,202**	3,193	3,189	3,181	3,179
Additions to property, plant and equipment	**4,133**	4,319	3,827	3,365	2,452
Depreciation of property, plant and equipment	**3,108**	3,121	3,007	2,804	2,434
Acquisitions/capitalization of intangible assets	**1,287**	29,838	18,319	2,250	1,950
Amortization of intangible assets	**5,006**	5,433	4,237	3,269	4,452
Research and development expenses	**33,584**	28,842	27,533	24,059	23,421
as percentage of net sales	**16.1%**	15.4%	15.3%	15.7%	17.7%
RATIOS					
Operating margin	**7.8%**	16.3%	19.9%	21.6%	20.2%
Operating margin excluding Sony Ericsson	**8.0%**	12.5%	16.7%	20.1%	18.6%
EBITDA margin	**11.9%**	20.8%	24.1%	25.4%	25.5%
Cash conversion	**92%**	66%	57%	47%	80%
Return on equity	**8.2%**	17.2%	23.7%	26.7%	24.2%
Return on capital employed	**11.3%**	20.9%	27.4%	28.7%	26.4%
Equity ratio	**49.7%**	55.1%	56.2%	49.0%	43.8%
Capital turnover	**1.2**	1.2	1.3	1.2	1.2
Inventory turnover	**5.4**	5.2	5.2	5.1	5.7
Trade receivables turnover	**3.1**	3.4	3.9	4.1	4.1
Payment readiness, SEK million	**84,917**	64,678	67,454	78,647	81,447
as percentage of net sales	**40.6%**	34.4%	37.5%	51.3%	61.7%
STATISTICAL DATA, YEAR-END					
Number of employees	**78,740**	74,011	63,781	56,055	50,534

of which in Sweden	**20,155**	19,781	19,094	21,178	21,296
Export sales from Sweden, SEK million	**109,254**	102,486	98,694	93,879	86,510

1) For 2008, as proposed by the Board of Directors.
For definitions of the financial terms used, see Financial Terminology.

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LETTER FROM THE CHAIRMAN

Dear shareholder,

This year was marked by a series of dramatic macro-economic events which has created a difficult time for the world economy. However, Ericsson remains well positioned and strong relative to its peers and I can assure you that all Ericsson employees are working hard to bring value to customers the ultimate path to success for the Company and in turn for you.

Ericsson s situation today is quite different from what it was during the market downturn earlier this decade. The Company now has a healthy balance sheet and strong cash position. In addition, Ericsson refinanced maturing loans and secured new loans before the financial market collapse a decision that now offers benefits in terms of greater liquidity, making it possible to pursue opportunities created by the market situation.

Ericsson s strategy to leverage its leading position and technological prowess to invest in future growth areas remains unchanged. However, adjustments to the global macro-economic environment will be necessary in the near term and the Company s cost base will be reduced to maintain margins. Utmost care will be given to preserve Ericsson s longer-term prospects and technology leadership.

The Board work in 2008 had a significant focus on strategic matters. A major decision was taken to form a joint venture, merging Ericsson s mobile platform activities and STMicroelectronics NXP-Wireless unit, to create a world-leading company in semiconductors and platforms for mobile applications. The JV will build on the current relationship and will have a strong combined offering and a broad customer base.

Operator and consumer sensitivity to the macro-economy is an important factor for Ericsson, closely monitored by the Board. The main impact observed so far has been a weakening demand for new mobile phones and the Sony Ericsson management is aggressively addressing this development, with significant cost reductions underway to restore profitability.

The debate around executive compensation has recently intensified following the macro-economic developments. Benchmarking with similar global companies shows that we have a conservative, but still competitive compensation scheme that rewards performance and aligns employee interests with the interests of shareholders.

Our principles for employee remuneration performance, competitiveness, fairness mirrors Ericsson s core values of respect, professionalism and perseverance. I am confident that these principles are appropriate and reasonable even during these uncertain times.

The demand for mobile communications should only increase with technological advancements lowering costs for affordability to more and more consumers. By making mobile communications available to everyone, Ericsson is fundamentally contributing to socio-economic development in emerging markets and to a better environment globally. I am particularly proud of this accomplishment and encourage the Company to continue on this path.

I sincerely appreciate your support during the year.

Michael Treschow

Chairman of the Board

BOARD OF DIRECTORS REPORT

This Board of Directors Report is based on Ericsson s consolidated financial statements, prepared in accordance with IFRS. The application of reasonable but subjective judgments, estimates and assumptions to accounting policies and procedures affects the reported amounts of assets and liabilities and contingent assets and liabilities at the balance sheet date as well as the reported amounts of revenues and expenses during the reporting period. These amounts could differ materially under different judgments, assumptions and estimates. Please see Note C2 Critical Accounting Estimates and Judgments (p. 63).

Also non-IFRS measures are used to provide meaningful supplemental information to the IFRS results. Non-IFRS measures are meant to facilitate analysis by indicating Ericsson s underlying performance, however, these measures should not be viewed in isolation or as substitutes to the IFRS measures. A reconciliation of non-IFRS measures with the IFRS results can be found on page 21.

This report includes forward looking statements subject to risks and uncertainties. Actual developments could differ materially from those described or implied. Please see Forward-looking Statements (p. 164), Risk Factors (p. 135) and Uncertainties in the future (p. 215).

The external auditors review the quarterly interim reports, perform audits of the annual report and report their findings to the Board and its Audit Committee.

The terms Ericsson , the Group , the Company , and similar all refer to Telefonaktiebolaget LM Ericsson and its subsidiaries. Unless otherwise noted, numbers in parentheses refer to the previous year (i.e. 2007).

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SUMMARY

Increased sales by 11 (4) percent despite financial turmoil

Operating margin was 11.4 (16.3) percent excluding restructuring charges and 7.8 (16.3) percent including restructuring charges.

Net income attributable to shareholders of the Parent Company was SEK 11.3 (21.8) billion, and earnings per share (diluted) were SEK 3.52 (6.84).

Cash flow from operating activities was SEK 24.0 (19.2) billion. Cash flow before financing activities was SEK 15.4 (-8.3) billion including acquisitions/divestments (net) of SEK 0.6 (-26.2) billion (cash flow effect).

A cash conversion rate of 92 (66) percent was achieved, well above the target of at least 70 percent.

Strong performance in strategically important areas

A significant number of new or expanded agreements to supply network equipment and/or related services to operators globally were announced. The aggregate value of these agreements was the highest in five years.

Leveraged mobile systems scale advantages:
The Company increased its mobile systems market share, especially in emerging markets.

Strengthened position in fixed broadband access and IP routing:
The Company strengthened its position within the Networks segment with a newly formed product area headquartered in Silicon Valley.

Networks margins have started to improve:
A more favorable balance between new networks relative to expansions and upgrades.

Higher proportion of software sales:
Sales of software and Intellectual Property Rights (IPR) continues to gain importance.

Increased market share in Professional Services:
New managed services contracts, in particular, contributed to the increased market share.

Maintained top tier in mobile phones:
With challenging business conditions, Sony Ericsson achieved breakeven results for the full year, excluding restructuring charges.

Good progress in Multimedia:
The Company continues to invest for a leading market position in networked media and IP-based applications and services.

Divestments and new joint venture:

During the year, the PBX part of the Enterprise business was divested. Plans to form a joint venture for mobile platforms and semiconductors with STMicroelectronics were announced.

Solid financial position

Although Ericsson is well positioned and remains strong among its peers, there are several challenges to overcome in the near future. It is difficult to predict how consumer spending will change and the effect this may have on operator activities. The macro-economic development is negatively impacting Sony Ericsson but so far, Ericsson s infrastructure-related business has hardly been affected. However, it is likely that in due course this business will also be affected. Cost adjustment plans have been decided and actions are already underway in preparation for such a development.

VISION AND STRATEGY

Ericsson s vision of an all-communicating world is rapidly becoming a reality as the convergence of telecommunications, Internet and media industries gains momentum.

By helping operators to develop and improve their networks to efficiently handle multimedia capabilities, Ericsson is creating a world in which any person can have affordable access to information, entertainment, social communities and more, whenever and wherever wanted. In the course of making people s lives easier and more productive Ericsson is spurring socio-economic development which brings the Company s vision ever closer to reality.

Our strategy is driven by the competitive dynamics of the network equipment market and Ericsson s position, the combination of which gives rise to three strategic imperatives:

- Economies of scale and scope are prerequisites for sustainable value creation. Industry standards govern product design and functionality, making it difficult for equipment suppliers to differentiate on product capabilities alone.

- The bargaining power of equipment suppliers depends primarily on their installed base. Operators not only look for the best products but also for long-term business partnerships that they can rely on to deliver end-to-end solutions for lower total cost of ownership, or the ability to minimize time-to-market, or the strength of professional services capabilities, or access to world-class subject matter experts. If the incumbent supplier is performing well, operators are reluctant to seek alternatives.

- Primary end-to-end suppliers with well-entrenched local presence, backed up by global resources and a proven track record, have a competitive advantage.

Attainment of the strategic imperatives is essential to the success of Ericsson but the business model creates high fixed costs and requires significantly high working capital to sales. With this in mind along with the Company s ambition to be **the prime driver in an all-communicating world,** operations have been divided into segments that create competitive advantage and best meet the needs of Ericsson s global customer base.

Networks technology leadership, a broad product portfolio and scale enable Ericsson to excel in meeting the coverage, capacity and network evolution needs of fixed and mobile operators.

Services expertise in network design, rollout, integration, operation and customer support within a global structure with robust local capabilities enable Ericsson to better understand and respond to the unique challenges of each customer and capitalize on the trend to outsource a broader range of activities to network equipment suppliers.

Multimedia innovative application platforms, service delivery and revenue management solutions combined with leading content developer and application provider relationships enable Ericsson to uniquely help customers create exciting new and differentiated multimedia services.

Phones The complementary strength of Sony Ericsson further enhances Ericsson s consumer perspective for superior end-to-end offerings.

The synergies generated by the combined strengths of the segments differentiate Ericsson through a continuous focus on **operational excellence** to better leverage an economy of scale in technology development as well as in product and service delivery and customer support.

The three strategic imperatives show Ericsson s business dynamics and their effects on results. With its scale advantage secured by being the primary supplier to more operators, the Company plans to balance growth with margins, focus on leveraging expanded primary supplier relationships and return to higher profitability levels.

BUSINESS FOCUS 2008

Reaching more people

Ericsson helped to bring telecommunications to many consumers that previously could not afford service or lived outside the coverage area. The Company implemented alternative energy solutions for radio base stations in remote areas. Ericsson radio technology requires fewer cell sites for high-quality coverage. In these ways, Ericsson uses technology to reduce network operators total cost of ownership, which enables them to expand coverage and reach more consumers in new geographic areas.

Increasing speed and capacity

Ericsson is at the forefront of broadband technology development with solutions to meet the growing broadband traffic demand from business and residential customers. During the year, the Company introduced a

100 GbE (gigabit Ethernet) transport enhancement to existing WDM (Wavelength Division Multiplexing) solutions and deployed a nationwide optical WDM network in Germany, that enables 40 Gbps (gigabit per second) connections. The first commercial 21 Mbps (Megabit per second) mobile broadband services were launched and the Company demonstrated the world s first end-to-end HSPA solution with speeds of up to 42 Mbps. The world s first commercially available LTE-capable mobile platform was introduced, with peak data rates of up to 100 Mbps in the downlink and up to 50 Mbps in the uplink. With four times the bandwidth of existing systems, the world s first 10 Gbps Gigabit Passive Optical Network (GPON) system for IPTV was demonstrated.

Expanding Ericsson s role

Ericsson is to supply, build, integrate, operate and manage broadband communications infrastructure for Saudi Arabia s high-tech flagship, King Abdullah Economic City. The sole-supplier agreement with Emaar, developer of the smart-city project, breaks new ground in Saudi Arabia as Ericsson s first GPON-enabled IPTV contract; the first contract where Ericsson provides systems integration and network rollout services for fiber optic solutions and fixed-network IMS. The contract brings together products from Ericsson s major acquisitions Entrisphere, Marconi, Redback and Tandberg Television and the Company s telecom services portfolio.

Preparing for the future

Each year, Ericsson s ConsumerLab conducts more than 40,000 interviews, representing opinions and behavior of over 1 billion people. This valuable insight on consumer trends is incorporated into product development, sales and marketing, and is provided to operators for them to better understand their customers needs. The Company also works with entrepreneurial developers to bring new multimedia services to the mobile environment. Internally, the Ericsson strategy function is working with scenarios for market and technology developments with a mid-term, i.e. five-year horizon, as well as a longer term, i.e. 10 15 year view.

GOALS AND RESULTS

Our ultimate goal is for the Company to generate growth and a competitive profit that is sustainable over the longer term. Ericsson aims to be the preferred business partner to its customers. As the market leader, the

Company develops superior products and services that provide competitive advantages. In addition, when Ericsson s network equipment and associated services are combined with multimedia solutions and mobile handsets from the Sony Ericsson joint venture, the scope of Ericsson s operations extends to complete end-to-end telecommunication solutions.

The Company performance is monitored according to three fundamental metrics: value creation, customer satisfaction and employee satisfaction. We believe that highly satisfied customers along with empowered and motivated employees help to assure an enduring capability for competitive advantage and value creation. The Company s objective is to have a faster than market sales growth, a best-in-class operating margin and a healthy cash conversion.

Shareholder value creation

Although margins remain below recent historic levels, the Company is strengthening its market position and continues to perform better than its peers. A strong balance sheet, flexible operational model and strengthened industry-leading position provide the means for handling any near-term macro-economic pressure. In the longer term, the increased market share and footprint enlarges the opportunity for future sales of expansions and upgrades.

Management has several metrics by which they measure the Company s progress relative to its ambitions:

- Increase sales at a rate faster than the market growth. Although the mobile systems market is likely to have exceeded the expectation of slight or no growth in USD terms, Ericsson s networks sales grew much faster, at 10 percent. Ericsson s Professional Services sales grew by 13 (19) percent in local currencies, compared with an estimated market growth of approximately 10 percent.

- Deliver best-in-class operating margin, i.e. better than the main competitors. Operating margin for the Group, excluding Sony Ericsson and excluding restructuring charges, was the highest among its main publicly listed competitors, based on their reported and estimated results.

- Generate cash conversion of over 70 percent. The cash conversion for 2008 was 92 (66) percent. Reflecting an increased focus on cash flow, this longer-term target (i.e. 3 5 years) was first communicated during 2007.

Customer and employee satisfaction

Every year, a customer satisfaction survey is independently conducted in which approximately 9,300 (9,000) employees of some 380 (380) fixed and mobile operators around the world are polled to assess their satisfaction with Ericsson compared to its main peers. Ericsson maintained a level of excellence.

Every year, also an employee survey is independently conducted. In 2008, 90 percent of employees participated in the survey. The results show that Ericsson has maintained a level considered excellent by external benchmarking. The Human Capital Index, which measures employee contribution in adding value for customers and meeting business goals, was the same as for 2007. See graphs below.

BUSINESS RESULTS

Group sales grew 11 (4) percent, driven by higher Networks and Professional Services sales. Fluctuations in foreign exchange rates had a rather significant negative effect on reported sales during the first nine months of the year although the trend shifted in the fourth quarter, resulting in a limited effect for the full year.

GROUP SALES

SEK billion	2008	2007	Percent change
Sales	**208.9**	187.8	11%
of which Networks	**142.0**	129.0	10%
of which Professional Services	**49.0**	42.9	14%
of which Multimedia	**17.9**	15.9	13%

In an increasingly challenging macro-economic environment, the Company adjusts its cost base continuously. The cost reduction targets launched in 2008 were exceeded. In February 2008, a cost reduction plan of SEK 4 billion in annual savings was announced, including estimated charges of the same size. All activities with related charges were launched by the third quarter, and it was announced that further charges would be made in the fourth quarter. Charges for the full year 2008 amounted to SEK 6.7 billion In total. This has resulted in annual savings of approximately SEK 6.5 billion from year end. We will continue to reduce costs, across all parts of the company at the same pace as in 2008 with restructuring charges of SEK 6 7 billion, targeting annual savings of SEK 10 billion from the second half of 2010, with an equal split between cost of sales and operating expenses.

Our strategy for these further cost reductions is to leverage the synergies between different technologies, in-house and acquired, and take advantage of the opportunities from the transformation to all-IP. The number of software platforms will be reduced and the re-use of hardware increased. In addition, certain activities will be moved to low-cost countries. This will result in a reduction in the number of consultants and other temporary staff, consolidation of R&D sites and layoffs. As the savings are largely the result of more efficient ways of working, the Company s strategy will remain intact and Ericsson s unique capabilities should not be affected.

Networks

Segment Networks

SEK billion	2008	2007	Percent change
Sales	**142.0**	129.0	10%
of which network rollout	**21.5**	18.5	16%
Operating income	**11.1**	17.4	36%
Operating margin	**8%**	13%	
Operating margin*	**11%**	13%	

*   excl. restructuring charges

Mobile network buildouts, especially in high-growth markets, continue to represent the majority of sales. Sales of mobile broadband solutions increased during the year, driven by consumer need for higher speeds and better coverage. WCDMA deployments have intensified in general, especially in certain regions like the Americas, which has affected the business in a favorable way. Ericsson s market share, as a percentage of operator spending for GSM/WCDMA, remains in the mid-forties. GSM sales were flat and WCDMA sales increased.

Networks business continues to grow where network buildouts and break-in contracts are predominant and price competition is most intense.

Although margins have started to improve, the proportion of buildouts of new networks in high-growth markets, including accelerating volumes in India, remains high and continues to pressure Networks margins.

While some parts of the network equipment market declined this year, the mobile broadband equipment market continues to show good growth.

Mobile packet core, mobile softswitching and backhaul transmission also showed good growth, driven by the migration to all-IP.

With 3G subscribers providing significantly higher Average Revenue Per User (ARPU) than 2G, operators will most likely keep their mobile broadband plans and continue to invest.

The majority of circuit-switched core network sales are now from softswitch solutions with healthy and stable margins. Ericsson is established as a clear technology and industry leader in the global softswitch market. The Company has advanced its market position even further with the introduction of a new-generation softswitch, based on blade cluster technology. Ericsson has the largest installed base of softswitches, providing a solid business from telephony and multimedia communications. The future growth areas in core networks will increasingly be the next-generation User and Service Management and IP Multimedia Subsystem (IMS) based applications.

Sales of optical and microwave transmission systems to fixed as well as mobile operators grew in line with the market. The Company s ambition to grow faster than the market remains. Thus Ericsson is investing in sales and marketing to enable it to sell a broader portfolio.

Ericsson s MINI-LINK micro-wave radio systems, complemented with the wireline access and optical portfolio, is an essential part of mobile broadband rollout, thus enabling increased sales of fixed network products by leveraging Ericsson s strong mobile position.

Operators are evolving from legacy circuit-switched networks to IP, in both fixed and mobile networks, due to need for increased flexibility and cost savings. Ericsson s routing technology and solutions from Redback enable operators to migrate to IP, allowing them to fully leverage investments in legacy technology.

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Redback is the platform for Ericsson to combine and focus all of its IP efforts under one organization, headquartered in Silicon Valley. IP technology gives operators lower cost and is reinforced in all mobile and fixed standardization bodies. As a result, operators continue to evolve from legacy TDM and ATM networks to IP, in both fixed and mobile networks. Redback Networks returned to growth, now in more diverse market segments mainly as a result of synergies with Ericsson s sales and marketing organization. This indicates a growing acceptance of Redback technology in additional market segments, which expands the addressable market and creates an environment conducive to revenue acceleration.

We remain optimistic regarding growth opportunities for all-IP networks with IP routing, IMS, broadband access and transmission. The Company continues to invest in these areas, with the ambition to be the first vendor to combine fixed and mobile networks on one platform offering operators significant savings and new revenue opportunities.

Professional Services

Segment Professional Services

SEK billion	**2008**	**2007**	**Percent change**
Sales	**49.0**	42.9	14%
of which managed services	**14.3**	12.2	17%
Operating income	**6.3**	6.4	
Operating margin	**13%**	15%	
Operating margin*	**16%**	15%	

* excl. restructuring charges

Professional Services sales were particularly encouraging, growing at 14 percent to SEK 49.0 billion. Growth measured in local currencies amounted to 13 percent compared with an estimated market growth of some 10 percent. Managed services sales grew by 17 percent to SEK 14.3 (12.2) billion, as the Company continued to win contracts for network operations and hosting services. Ericsson is a clear leader in Managed Services and at year end 2008, Ericsson-managed network operations served approximately 250 (185) million users.

Ericsson won several breakthrough managed services deals during the year, including an agreement with Mobily in Saudi Arabia (one of the largest managed services contracts in the Middle East), managed operations for TDC in Denmark (the largest Nordic full-scope managed services contract), and managed operations for the shared network between 3UK and T-Mobile (Mobile Broadband Network Limited, MBNL) in the UK. In addition, more than 1,000 systems integration projects were carried out during the year, including a prime integrator contract for Telefonica across Latin America for a revenue assurance solution, end-to-end IPTV integration for OTE, Greece, telecom management transformation consulting for T-Mobile, Germany, and a number of IMS and softswitch integrations.

Operating margin is stable in the mid-teen range despite the higher proportion of managed services. This is mainly due to successful transformation of operations undertaken to the Ericsson ways of working and continuous cost optimization with a focus on operational excellence.

Common challenges faced by operators today are business growth, operational efficiency and network evolution towards IP. In a converging communications world, new complexity in business models must also be added to the challenges.

This creates services opportunities for Ericsson. Services expertise and experience, in combination with technology leadership and business understanding enable partnering with customers to take on a prime integrator role in complex deployment and transformation projects. The Company also support operators in creating an efficient environment for consumer service delivery through network and systems integration expertise. The largest opportunity in meeting operator challenges is in managed services, providing efficiency gains and cost control.

During the year, more than 60 percent of the Professional Services business was recurring. As the professional services market develops there are many opportunities for project business, but operators are also seeking longer-term partnerships to build competitive edge. Combined with an increasing managed services market, this will help sustain a healthy level of recurring business for Ericsson.

An overall enabler of growth and efficiency is our continuous work to improve processes, methods and tools. This, together with a strategically dimensioned and staffed services delivery organization, is what brings excellence to our operations. During the year, two new global service delivery centers were opened, another evolutionary step in Ericsson s strategy for developing global and local service and delivery capabilities, ensuring business readiness for the global market with increasing focus on emerging markets.

Multimedia

Segment Multimedia

SEK billion	2008	2007	Percent change
Sales	**17.9**	15.9	13%
Operating income	**-0.1**	-0.1	13%
Operating margin	**-1%**	-1%	
Operating margin*	**1%**	-1%	

* excl. restructuring charges

Multimedia sales increased by 16 percent for comparable units, i.e. excluding divestment of the enterprise PBX operations. Revenue Management and Service Delivery & Provisioning continued to show good growth while the mobile platform business was starting to experience effects of the weakening handset market. Operating income includes a SEK 0.8 billion gain from the divestment of shares in Symbian. The segment is operating on a breakeven level due to investments to build a leading position in IPTV, Consumer & Business Applications and Multimedia Brokering.

This was a year of consolidation and focusing the organization in a number of prioritized areas. As part of this effort, the PBX part of the enterprise offering was divested. The retained parts provide solutions to operators to address the enterprise segment. In addition, the Company announced plans to form a joint venture with STMicroelectronics, in order to establish a world leader in mobile platforms and wireless semiconductors. With these changes, the segment is now focusing exclusively on multimedia solutions for network operators and service providers.

TV Solutions made good progress with new business development, especially with the launch of the world s first IMS-integrated IPTV middleware an end-to-end IPTV solution that supports ease of integration and delivers vendor choice for operators. Ericsson was selected by Hellenic Telecommunications Organization (OTE SA) to act as the end-to-end IPTV systems integrator, solutions provider and business consultant.

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The multimedia market is quickly evolving with converging industries (telecom, media and Internet), technologies and payment options. End-to-end revenue management solutions must handle convergent technologies including IP-based broadband services, a variety of business models and partner relationships, as well as be payment-option agnostic. Ericsson acquired LHS to form a strong constellation of prepaid and postpaid solutions to capture this opportunity. Ericsson s solutions for real-time charging and mediation, and billing and customer care solutions, make it a leader in revenue management and significantly strengthen the overall multimedia offering.

Within segment Multimedia, Revenue Management (including LHS), Service Delivery & Provisioning and TV solutions account for the majority of sales and generate good growth and margins. TV solutions (including Tandberg Television) have now established Ericsson in the TV space. The strategy is to leverage these leading positions and invest in new areas for future growth, such as IPTV, Consumer & Business Applications and Multimedia Brokering.

Sales opportunities for Multimedia show a positive trend and even though the segment is well established, Ericsson continues to invest in R&D in new business opportunities which affects profitability in the near term.

Phones

See Sony Ericsson Mobile Communications under Partnerships and joint ventures.

Regional overview

Sales Per Region and Segment 2008

SEK billion	Net-works	Prof. Services	Multi-media	Total	Percent change
Western Europe	25.6	18.6	7.4	**51.6**	2%
CEMA[1]	38.4	9.8	4.9	**53.1**	9%
Asia Pacific	49.8	10.5	3.0	**63.3**	16%
Latin America	16.1	5.5	1.4	**23.0**	25%
North America	12.1	4.6	1.2	**17.9**	34%
Total	142.0	49.0	17.9	**208.9**	11%
Share of total	68%	23%	9%	**100%**	
Percent Change	10%	14%	13%	**11%**	

1) Central and Eastern Europe, Middle East and Africa.

Western Europe sales decreased by 2 (1) percent with increased sales of professional services and mobile broadband network equipment still more than offset by lower sales of GSM. The high demand for mobile broadband and professional services is expected to continue as is the decline for GSM. The macro-economic development is affecting consumer spending with a weakening demand for replacement handsets. Mobile phone usage appears to be unaffected, requiring operator spending to maintain network quality of service.

In Central and Eastern Europe, Middle East and Africa (CEMA), sales grew by 9 (5) percent driven by continued 2G buildouts in many markets while a strong growth in Russia was driven by ongoing 3G rollouts. Many countries within the CEMA region have low penetration levels, similar to the rural areas of other emerging markets in Latin America and Asia Pacific. Most of Central and Eastern Europe have GSM penetration levels on par with Western Europe. Although initial deployments of 3G are rapidly spreading throughout the region, GSM is expected to remain the predominant technology for the foreseeable future due to affordability of handsets.

Asia Pacific became Ericsson s largest region with a sales increase of 16 (14) percent even though political unrest in certain countries within the region negatively affected sales growth. The Company expanded its leading position in India which is now Ericsson s largest and fastest growing market. The Chinese market rebounded after the Olympic Games and 3G licenses are to be awarded in the beginning of 2009 with rollouts expected to start shortly thereafter. Although Chinese suppliers have increased their domestic market share, Ericsson has maintained its strong market position in China. Japan and Indonesia also showed strong development and are now among Ericsson s largest markets.

Latin American sales increased 25 (12) percent. Growth was driven by a combination of GSM enhancements and 3G buildouts. Professional Services also contributed strongly to the growth. Mexico and Brazil showed especially strong development with no signs of slow-down. The strong growth reported from the region over the last couple of years is not sustainable and will eventually moderate to more normal levels.

North American sales increased by 34 (15) percent and have stabilized at a higher quarterly level following the reduction of GSM spending in 2007. The recorded slower growth in the fourth quarter is mainly an effect of a tough year-over-year comparison despite positive effects of the increasing USD exchange rate. The full-year effects from changes in currency exchange rates were limited. Mobile broadband is now well established with good consumer take-up, which is driving continued rollouts as well as capacity enhancements.

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FINANCIAL RESULTS OF OPERATIONS

Abbreviated Income Statement with Reconciliation IFRS Non-IFRS Measures

Total SEK billion	IFRS 2008	Restructuring charges	Non-IFRS measures 2008	IFRS 2007
Net sales	**208.9**		208.9	187.8
Cost of sales	**-134.6**	2.5	-132.1	-114.1
Gross income	**74.3**	2.5	76.8	73.7
Gross margin %	**35.5%**		36.8%	39.3%
Operating expenses	**-60.6**	4.2	-56.4	-52.0
Opex as % of sales	**29%**		27%	28%
Other operating income and expenses	**3.0**		3.0	1.7
Share in earnings of JV and associated companies	**-0.4**	0.9	0.5	7.2
Operating income	**16.3**	7.6	23.9	30.6
Operating margin %	**7.8%**		11.4%	16.3%
Less share in Sony Ericsson	**-0.5**	0.9	0.4	7.1
Operating income excl Sony Ericsson	**16.8**	6.7	23.5	23.5
Operating margin % excl Sony Ericsson	**8.0%**		11.3%	12.5%

Non-IFRS measures are used in the income statement to provide meaningful supplemental information to the IFRS results. Since there were significant restructuring costs during 2008, but with relatively little benefit and consequently a significant impact on reported results and margins, and as there were insignificant restructuring charges in 2007, non-IFRS measures excluding restructuring charges are presented to facilitate analysis by indicating Ericsson s underlying performance. However, these measures should not be viewed in isolation or as substitutes to the IFRS measures.

Sales grew 11 percent to SEK 208.9 (187.8) billion

The sales growth was driven by strong demand across the portfolio and across all regions, with the exception of Western Europe. Fluctuations in currency exchange rates had a limited effect on reported sales for the full year.

Gross margin decreased to 36.8 (39.3) percent, excluding restructuring charges

The decline is due to a business mix with high proportion of network rollout projects which often also include significant third party content. A higher proportion of managed services sales with lower than group average gross margins contributed to the decline.

Excluding restructuring charges, operating income declined by 22 percent to SEK 23.9 (30.6) billion with an operating margin of 11.4 (16.3) percent

The main reasons are the decline in gross income, and a negative contribution from Sony Ericsson of SEK 0.5 billion, compared with SEK 7.1 billion in 2007.

Excluding also the result in Sony Ericsson, operating margin decreased less, to 11.3 (12.5) percent, reflecting the significant difference in the Sony Ericsson contribution compared to 2007.

Earnings per share (EPS) diluted SEK 3.52 (6.84) down 49 percent

Earnings Per Share (EPS)

	2008	**2007**
EPS diluted	**3.52**	6.84*

* A reverse split was made in June 2008. Comparative numbers are restated.

EPS declined substantially as EPS includes restructuring charges. Based on Ericsson s strengthened market position relative to its peers, the Board considers the underlying earnings capacity and the financial position to be strong and proposes a dividend also for 2008, however reduced to SEK 1.85 (2.50) per share.

FINANCIAL POSITION

Consolidated Balance Sheet (Abbreviated)

December 31, SEK billion	**2008**	**2007**
ASSETS		
Non-current assets, total	**87.2**	87.0
Current assets, total	**198.5**	158.1
of which trade receivables	***75.9***	*60.5*
of which inventory	***27.8***	*22.5*
Total assets	***285.7***	245.1
EQUITY AND LIABILITIES		
Equity	**142.1**	135.0
Non-current liabilities, total	**39.5**	32.4

Current liabilities, total	**104.1**	77.7
of which trade payables	***23.5***	*17.4*
Total equity and liabilities[1)]	**285.7**	245.1

1) Of which interest-bearing liabilities and post-employment benefits were SEK 40.4 billion (SEK 33.4 billion in 2007).

Net cash SEK 34.7 (24.3) billion

The improved net cash position is largely a result of the favorable cash flow from operations reflecting working capital efficiency improvements. Payment readiness was considerably strengthened from SEK 65 billion at the end of 2007 to SEK 85 billion at year end.

Working Capital SEK 100 (86) billion

Results of ongoing efforts to improve working capital efficiencies relating to receivables, inventories and payables have been partly offset by strong movements in currency translation effects. The improvement of cash contributed to the increase in working capital.

Days Sales Outstanding (DSO) 106 (102) days

High sales in the second half of the year as well as payment terms in network buildout contracts with retention of payments until provisional and final acceptance have led to an increase in DSO. The Company has initiated a number of actions to improve such terms. However, adjusted for currency effects, DSO showed a slight decrease compared to 2007.

Payable days 55 (57) days

The slight deterioration is mainly a reflection of the vendor mix, with shorter payment cycles related to subcontracted service providers for network rollout services, in combination with a higher proportion of such contracts.

Inventory Turnover (ITO) 5.4 (5.2) times

Overall inventory turnover was improved slightly, with faster turnover in both product supply and customer order work in process, partly offset by the higher proportion of work in progress inventory.

Return on Equity (ROE) 8.2 (17.2) percent

The return on equity, including restructuring charges, developed unfavorably. This development is a major reason for the continued efforts to improve profitability through continued focus on a more competitive product portfolio, harvesting of market share gains and of acquisitions made as well as continued cost reductions.

Return on Capital Employed (ROCE), excluding restructuring charges, 16 (21) percent

The decline is mainly a result of an increase in capital employed in combination with the reduced gross margin and the lower Sony Ericsson result which have reduced the operating income. ROCE improvements are being addressed in the Company s restructuring and capital efficiency activities.

Debt maturity profile

Ericsson´s cash position of SEK 75 billion is currently deemed to be sufficient to cover any short- and medium-term cash needs including debt repayment of USD 483 million and EUR 471 million maturing in 2009 and 2010 respectively. During the year, maturing debt was refinanced with the European Investment Bank (EIB) with a SEK 4 billion loan maturing in 2015, to support R&D activities. In addition to cash in the balance sheet, there is an undrawn committed credit facility of USD 2 billion (maturing 2014) in place as a liquidity reserve.

Credit Ratings

The Company s credit rating was maintained at solid investment grade by both Moody s and Standard & Poor s.

On March 3, 2009, Standard & Poor s changed outlook from negative to stable.

Off balance sheet arrangements

There are currently no material off-balance sheet arrangements that have or would be reasonably likely to have a current or anticipated effect on the Company s financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

CASH FLOW

Cash Flow (Abbreviated) January December

SEK billion	2008	2007
Net income reconciled to cash	**26.0**	29.3
Changes in operating net assets	**-2.0**	-10.1
Cash flow from operating activities	**24.0**	19.2
Cash flow from investing activities	**-8.5**	-27.5
Cash flow before financing activities	**15.5**	-8.3
Cash flow from financing activities	**-7.2**	6.3
Cash conversion[1)]	**92%**	66%

1) Cash flow from operating activities divided by net income reconciled to cash.

Cash flow from operations SEK 24.0 (19.2) billion

The improvement from last year is largely attributable to a more favorable development of net operating assets which grew substantially less than Net Sales, as a result of increased focus on working capital management. In 2008 Ericsson received SEK 3.6 (3.9) billion in dividends from Sony Ericsson.

Cash flow from investing activities SEK 8.5 (27.5) billion

During 2008, the Company divested/acquired operations with less than SEK 1 (26) billion net cash received. This is partly offset by short-term investments of SEK 7.2 (3.5) billion related to cash management.

Cash flow from financing activities SEK 7.2 (6.3) billion

The negative cash flow is largely attributable to the dividend paid to shareholders. Maturing borrowings were largely refinanced through a new loan with the European Investment Bank (EIB) to support R&D activities.

Cash conversion 92 (66) percent

The cash conversion rate relates income adjusted for non-cash items to operating cash flow. The cash conversion rate was favorably impacted by non-cash items related to provisions in combination with a high cash flow from operations and a dividend payment from Sony Ericsson related to 2007.

Restricted cash

In certain countries, there are legal or economic restrictions on the ability of subsidiaries to transfer funds to the Parent Company in the form of cash dividends, loans or advances. Such restricted cash amounted to SEK 8.2 (5.8) billion.

Capital expenditures (capex)

We continuously monitor the Company s capital expenditures and evaluate whether adjustments are necessary in light of market conditions and other economic factors. Capital expenditures are typically investments in test equipment used to develop, manufacture and deploy network equipment. However, capital expenditures in 2008 came mainly from investments needed to support the growing services business and establish stronger presence in certain markets.

The table summarizes annual capital expenditures during the five years ending December 31, 2008.

CAPITAL EXPENDITURES 2004 2008

SEK billion	2008	2007	2006	2005	2004
Capital expenditures	**4.1**	4.3	3.8	3.4	2.5
of which in Sweden	**1.6**	1.3	1.0	1.0	1.1
as percent of net sales	**2.0%**	2.3%	2.2%	2.2%	1.9%

We do not expect capital expenditures in relation to sales to differ significantly in 2009, remaining at roughly 2 percent.

In addition to normal capital expenditures, there is a commitment to invest USD 1.1 billion to establish a new joint venture with STMicroelectronics.

We believe the facilities that the Company now occupies are suitable for its present needs in most locations. As of December 31, 2008, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

With a net cash position at year-end of SEK 34.7 (24.3) billion, we expect the Company to be able to cover all capital expenditure plans and customer financing commitments for 2009 by using funds generated from operations with no additional borrowing required.

RISK MANAGEMENT

The Board is actively engaged in risk management in conjunction with the annual strategy process, where risks related to set long-term objectives are discussed and strategies formally approved by the Board. Risks related to annual targets for the Company are also reviewed by the Board as the targets are presented for approval and then monitored continuously during the year. Certain transactional risks require specific Board approval, e.g. borrowing or customer finance in excess of pre-defined limits.

The general economic downturn during 2008 and the consequences for the business were assessed in both strategy and target setting. Due to the increased difficulties of forecasting customer demand, a continued focus on cost management and a strong liquidity were emphasized.

For Ericsson s long-term performance, the following industry fundamentals were analyzed and risks and opportunities evaluated:

- A rapid technological development.
- Trends in subscriber and traffic growth, introduction and adoption of new types of services and devices, and effects of changes in tariffs and subscription plans.
- A changing competitive landscape, with consolidation among customers and vendors and new suppliers becoming stronger.
- Convergence of the telecom, datacom and media industries, resulting in new types of competition and customers.
- Regulatory impact regarding e.g. radio frequencies, licenses, and roaming charges.

Activities that were in focus this year include:

- To capitalize on the acquisitions made and the broader product portfolio created.
- In partnership with leading customers move forward in network convergence and full service broadband.
- To ensure competence in key technology areas and systems integration.
- To safeguard continued technology leadership.

To improve margins by various actions.

To improve capital efficiency and ensure satisfactory cash flow.

Risks are categorized as operational risks or financial risks. The Company also manages risks related to financial reporting and to compliance with applicable laws and regulations. The approach to risk management reflects the scale and diversity of the Company s business activities and balances central coordination and support with delegated risk management responsibilities.

For more information on risks related to our business, see also Risk Factors on page 135.

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Operational risk management

Risk management is integrated within the Ericsson Group Management System and is based on the following principles:

Risks are dealt with on three levels to ensure operational effectiveness, efficiency and business continuity in the strategy process, in annual target setting, within ongoing operations by transaction (e.g. customer bids/contracts, acquisitions, investments, R&D projects).

Risks are subject to various process controls, such as decision tollgates and approvals.

In the strategy and target setting processes, a balanced scorecard approach is used to ensure a comprehensive assessment of risks and opportunities across several perspectives: financial, customer/market, product/innovation, operational efficiency and employee empowerment.

In the strategy process, objectives are set for the next five years. Risks are then assessed and strategies developed to achieve these objectives. To ensure that actions are taken to realize the strategies, focus areas are identified to be included in the near-term target setting and planning for the coming year.

Each risk is owned and managed by an operational unit that is held accountable and monitored through unit steering groups and Group Management.

Approval limits are clearly established with escalation according to defined delegations of authority. Certain types of risk, such as information security/IT, corporate responsibility, physical security, business continuity and insurable risks are centrally coordinated. A crisis management council is established to deal with ad hoc events of a serious nature, as necessary.

Financial risk management

The Company has an established policy governing its financial risk management. This is carried out by the Treasury function within the Parent Company and by a Customer Finance function. These are both supervised by the Finance Committee of the Board of Directors. The policy governs identified financial risk exposures regarding:

- Foreign exchange risks, as the Company has significant transaction volumes and assets and liabilities in currencies other than SEK. The largest foreign exchange exposure was towards the USD and related currencies, with approximately 43 percent of sales and approximately 32 percent of spending exposure in 2008. A variety of hedging activities are used to manage foreign exchange risks.

- Interest rate risks, as the values of cash and bank deposits, borrowings and post-employment liabilities as well as related interest income and expenses are exposed to changes in interest rates.

- Credit risks in trade and customer finance receivables, including credit risk exposures in identified high-risk countries, as well as credit risks regarding counterparties in financial transactions.

- Market risks in securities included in pension plan assets.

- Liquidity and financing risks, where the Company s Treasury function manages the Company s liquidity through monitoring of its payment readiness and refinancing needs and sources.

During 2008, there have not been any defaults in the payment of principal or interest, or any other material default relating to the indebtedness of Ericsson. For further information on financial risk management, see Notes to the Consolidated Financial Statements Note C14, Trade Receivables and Customer Finance , Note C19, Interest-Bearing Liabilities and Note C20, Financial Risk Management and Financial Instruments .

Financial reporting risks

To ensure accurate and timely reporting that is compliant with financial reporting standards and stock market regulations, the Company has adopted accounting policies and implemented financial reporting and disclosure processes and controls. The Company must also comply with the Sarbanes-Oxley act.

Compliance risks

The Company has implemented a number of Group policies and directives to ensure compliance with applicable laws and regulations, including a Code of Business Ethics, covering among other areas: labor laws, trade embargoes, environmental regulations, corruption, fraud and insider trading. Regular training is conducted in this area in the form of seminars as well as e-learning on internal training web sites, where employees take courses and tests and get certificates for passed courses.

Internal audits are routinely conducted regarding compliance with policies, directives and processes as well as in the areas of trade compliance, fraud, IT, security, health and safety, environment and supply chain management.

OTHER INFORMATION

Employees

Employee headcount at year end was 78,750 (74,011). Most of the additions were due to outsourcing agreements with operators as a result of the growing managed services business. During the year, 3,415 (6,657) employees left the Company while 8,144 (16,887) joined the Company. Please see Notes to the Consolidated Financial Statements Note C29, Information Regarding Employees, Members of the Board of Directors and Management .

Credit ratings

Both Moody s and Standard & Poor s (S&P) credit rating agencies maintained Ericsson s credit rating during 2008. At year end, ratings of Ericsson s creditworthiness were Baa1 for Moody s and BBB+ for S&P, both of which are considered to be Investment Grade.

ERICSSON CREDIT RATINGS YEAR END 2006 2008

	2008	2007	2006
Moody s	**Baa1**	Baa1	Baa2
Standard & Poor s	**BBB+**	BBB+	BBB

RESEARCH AND DEVELOPMENT

A robust R&D program is essential to Ericsson s competitiveness and future success. With most R&D invested in mobile communications network infrastructure, Ericsson s program is one of the largest in the industry. The efficiency of the R&D activities has been improved, enabling a faster time to market for products and increased investment in new areas such as multimedia solutions while decreasing R&D as a percentage of sales. A further reduction of approximately SEK 3 4 billion is planned for 2009, including the transfer of Ericsson s mobile platforms operations into the new joint venture with STMicroelectronics.

RESEARCH AND DEVELOPMENT PROGRAM

	2008	2007	2006
Expenses (SEK billion)[1)]	**30.9**	28.8	27.5
As percent of sales	**14.8%**	15.4%	15.3%
Employees within R&D at December 31[2)]	**19,800**	19,300	17,000
Patents[2)]	**24,000**	23,000	22,000

1) Excluding restructuring charges.
2) The number of employees and patents are approximate.

During 2009, R&D expenses, including the amortization of intangible assets from acquisitions but excluding Ericsson s mobile platform activities and restructuring charges, are expected to be approximately SEK 27 28 billion. Currency translation effects could affect the actual level of reported spending.

PARTNERSHIPS AND JOINT VENTURES

Sony Ericsson suffered from weakening demand for mid to high-end phones in markets where it has a higher than average market share, especially in Western Europe. Units shipped and ASP (Average Sales Price) decreased which caused sales to decline. Weaker exchange rates for certain currencies (e.g. SEK, GBP, BRL) relative to the EUR also contributed to the lower sales.

The Sony Ericsson gross margin declined significantly reflecting lower volumes and lower prices. Also the operating margin was impacted by this. Despite the breakeven results and necessary restructuring charges, Sony Ericsson has a healthy balance sheet with a strong net cash position of EUR 1,072 million.

Income before taxes was EUR 92 (1,574) million, excluding restructuring charges. A EUR 480 million operating expense reduction program has been initiated with full effect expected by the end of 2009. Restructuring charges are estimated to EUR 300 million of which EUR 175 million were taken during 2008.

Ericsson s share in Sony Ericsson s income before tax was SEK 0.5 (7.1) billion. SEK 3.6 billion was contributed to Ericsson s cash flow in the form of dividend payments related to 2007.

The joint venture results are accounted for in accordance with the equity method.

SONY ERICSSON RESULTS 2006 2008

	2008	Percent change	2007	2006
Units sold (millions)	**96.6**	-7%	103.4	74.8
Sales (EUR m.)	**11,244**	-13%	12,916	10,959
Income before tax (EUR m.)	**-83**		1,574	1,298
Net income (EUR m.)	**-73**		1,114	997
Ericsson s share of income before tax (SEK billion)	**-0.5**		7.1	5.9

For more information on transactions with Sony Ericsson, please see also Notes to the Consolidated Financial Statements Note C30, Related Party Transactions .

New joint venture. STMicroelectronics and Ericsson agreed to establish a joint venture which will have one of the industry s strongest product offering in semiconductors and platforms for mobile devices. The businesses being combined are already major suppliers to four of the industry s top five handset manufacturers, who together represent almost 80 percent of handset shipments. The joint venture will have 8,000 employees with pro forma 2008 sales of USD 3.6 billion.

The 50/50 joint venture, to be called ST Ericsson, will be headquartered in Geneva, Switzerland. Of the almost 8,000 employees, some 5,000 will be from ST-NXP Wireless and approximately 3,000 will be from Ericsson s mobile platforms operations.

The joint venture will acquire relevant assets from the owner companies. After these acquisitions, the joint venture will have a cash position of about USD 0.4 billion. Ericsson contributes USD 1.1 billion net to the joint venture, out of which USD 0.7 billion is paid to ST. The joint venture is expected to become operational during the first quarter of 2009.

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Acquisitions and divestments

In total, the Company has spent SEK 40.7 billion net in acquisitions/divestments during the last three years (2006 2008).

Acquisitions were insignificant in 2008, SEK 26.3 billion in 2007 and SEK 18.1 billion in 2006. Divestments were made for SEK 0.6 billion in 2008, SEK 0.1 billion in 2007 and SEK 3.1 billion in 2006. For more information, please see Notes to the Consolidated Financial Statements Note C26 Business Combinations .

Material contracts and contractual obligations

Material contractual obligations are outlined in the following table. Operating leases are mainly related to offices and production facilities. Purchase obligations are related mainly to outsourced manufacturing, R&D and IT operations and to components for our own manufacturing. Except for those transactions previously described in this report, Ericsson has not been a party to any material contracts over the past three years other than those entered into during the ordinary course of business.

CONTRACTUAL OBLIGATIONS 2008[1)]

		Payment due by period			
(SEK billion)	**Total**	**<1 year**	**1 3 years**	**3 5 years**	**>5 years**
Long-term debt[2)3)]	27.4	4.4	5.5	3.7	13.8
Capital lease obligations[4)]	2.2	0.2	0.4	0.3	1.3
Operating leases[4)]	13.9	3.4	4.9	2.7	2.9
Other non-current liabilities	1.6		0.1		1.5
Purchase obligations[5)]	13.1	13.1			
Trade Payables	23.5	23.5			
Commitments for customer financing[6)]	3.8	3.8			
Total	**85.5**	**48.4**	**10.9**	**6.7**	**19.5**

1) Obligations regarding pensions are not included. Please see Notes to the Consolidated Financial Statements Note C17, Post-Employment Benefits .
2) Including interest payments.
3) See also Notes to the Consolidated Financial Statements Note C20, Financial Risk Management and Financial Instruments .
4) See also Notes to the Consolidated Financial Statements Note C27, Leasing .
5) The amounts of purchase obligations are gross, before deduction of any related provisions.
6) See also Notes to the Consolidated Financial Statements Note C14, Trade Receivables and Customer Financing .

Ericsson is party to certain agreements which include provisions that may take effect, be altered or cease to be valid due to a change in control of the Company, as a result of a public takeover offer. Such provisions are not unusual for certain types of agreements such as joint-venture agreements, financing agreements and certain license agreements. However, none of the agreements that Ericsson currently has in effect would entail any material consequences due to a change in control of the Company. With a net cash position at year end of SEK 34.7 (24.3) billion, we expect the Company to be able to cover all capital expenditure plans and other financing commitments for 2009 by using funds generated from operations with no additional borrowing required.

LEGAL AND TAX PROCEEDINGS

In the fall of 2007, Ericsson was named as a defendant in three putative class action suits filed in the United States District Court for the Southern District of New York. The complaints allege violations of the United States securities laws principally in connection with Ericsson s October 2007 profit warning. In February 2008, the Court consolidated the three putative class actions into one. In June 2008, Ericsson filed a motion to dismiss the complaint. In December, the Court granted the defendant s motion and dismissed the case in its entirety. In early January 2009, the plaintiffs appealed the Court s decision to dismiss the case.

Following issuance of the 2007 third-quarter profit warning, the NASDAQ OMX Stockholm brought an inquiry to determine whether the Company appropriately issued the profit warning and made appropriate disclosure at the November 20, 2007, management briefing. The Financial Services Authority (FSA) in England initiated a similar inquiry. Ericsson has cooperated fully with the inquiries. In March 2008, the Disciplinary Committee of NASDAQ OMX Stockholm announced that Ericsson s statements at the November 20, 2007, analyst meeting did not violate the exchange s listing regulations. FSA has, in January 2009, informed Ericsson that they do not intend to take formal action in relation to the matters.

In October 2005, Ericsson filed a complaint with the European Commission requesting that it investigate and stop US-based Qualcomm s anti-competitive conduct in the licensing of essential patents for 3G mobile technology, claiming Qualcomm was violating EU competition law and failing to meet the commitments Qualcomm made to international standardization bodies that it would license its technology on fair, reasonable and non-discriminatory terms. At the same time, Broadcom, NEC, Nokia, Panasonic Mobile Communications and Texas Instruments each filed similar complaints. The European Commission opened a first-phase investigation in December of 2005 and in August 2007, it decided to conduct an in-depth investigation of the case as a matter of priority.

Together with most of the mobile communications industry, Ericsson has been named as a defendant in two class action lawsuits in the United States where plaintiffs allege that adverse health effects could be associated with the use of mobile phones. The cases are currently pending in the federal court in Pennsylvania and the Superior Court of the District of Columbia. In September 2008, the federal court in Pennsylvania dismissed plaintiffs claims as preempted by federal law. Plaintiffs are appealing this decision to the Third Circuit Court of Appeals. The District of Columbia case is stayed pending the outcome of the appeal.

In January 2009, Ericsson settled a patent infringement lawsuit brought by Freedom Wireless Inc. against Ericsson and its US-based customers of prepaid wireless products and services alleging that Ericsson s pre-paid service and charging system products infringed the three patents-in-suit. The settlement was reflected in the accounts of December 31, 2008.

In April 2007, an Australian company, QPSX Developments Pty Ltd., filed a patent infringement lawsuit against Ericsson Inc. and other defendants in the United States District Court for the Eastern District of Texas alleging that Ericsson infringed a patent related to asynchronous transfer mode (ATM) technology. QPSX accused a number of Ericsson products of infringement, including its WCDMA Radio Network Controllers. A trial is scheduled for November 2010.

In July 2008, the Svea Court of Appeal upheld the December 2006 judgment of the Stockholm City Court to acquit all current or former employees of the Parent Company who had been indicted by the Swedish National Economics Crimes Bureau for evasion of tax control. The Svea Court of Appeal s judgment was not appealed and thus has become final and binding.

For income tax purposes, Swedish fiscal authorities have disallowed deductions for sales commission payments via external service companies to sales agents in certain countries. Most of these taxes have already been paid. The decision covering the fiscal year 1999 was appealed. In December 2006, the County Administrative Court in Stockholm rendered a judgment in favor of the fiscal authorities. Also this judgment has been appealed.

CORPORATE RESPONSIBILITY

The Company s strong social, environmental and ethical standards helps to manage risks, create value and deliver a competitive advantage. Moreover, the commitment generates positive business impacts that benefit society.

Ericsson s approach to Corporate Responsibility (CR) and sustainability is integrated into its core business operations and in relationships with stakeholders. Engagement starts at the top. The Board of Directors considers these aspects in governance decision-making, and Group level policies and directives ensure consistency across global operations.

Ericsson publishes a separate Corporate Responsibility Report which provides additional information about its approach, priorities and performance.

The following priority areas have been identified as being the most relevant to the business strategy and sustainability performance.

CR priority areas

Responsible Business Practices

Ericsson supports the UN Global Compact and endorses its ten principles regarding human and labor rights, anti-corruption and environmental protection. Through the UN Global Compact, the Company is publicly committed to supporting universal values for conducting business.

The Ericsson Group Management System (EGMS) includes policies and directives in this area: the Code of Business Ethics, the Code of Conduct, anti-corruption measures and the Group-wide certified Environmental Management System.

The EGMS is reinforced by training, workshops and monitoring. This includes a global assessment program run by an external assurance provider. Assessments include CR-specific areas.

Supply Chain

All suppliers must comply with the Code of Conduct to ensure the quality and integrity of the supply chain. The Company performs regular audits and works with suppliers to instil changes when incidents of non-compliance arise, and is committed to measurable and continuous improvements.

An incident in Bangladesh highlighted the complexities of meeting Code of Conduct standards in a global supply chain with tens of thousands of suppliers. In May 2008, substandard labor and environmental practices were revealed at a local radio tower supplier used by Ericsson in Bangladesh. Code of Conduct auditors were immediately sent to investigate. Since then, the two main suppliers in Bangladesh have shown good progress in meeting our standards. Another supplier was put on hold until sufficient improvements were made.

During 2008, Ericsson significantly increased the number of audits and assessments globally, trained more auditors, and strengthened the focus on local sourcing activities.

Climate Change and the Environment

Ericsson s most material environmental impact is energy consumption by its products in operation. The Company develops energy-efficient products and services, and green site solutions, which run on a variety of renewable power sources. In 2008, a radio base station power-saving feature was deployed, which can put parts of the network in sleep mode during low traffic periods. The Ericsson Tower Tube, an energy-efficient site concept, was the winner in the Technology Design category of the 2008 *Wall Street Journal* Technology Innovation Awards.

In 2008, Ericsson set a new group-level target to reduce its life-cycle carbon footprint by 40 percent over the next five years, starting with a 10 percent reduction in 2009. The footprint will include total CO_2 emission from:

Ericsson in-house activities, such as production, transports, sites and business travel by air.

The lifetime use of the products sold by Ericsson during the year (portfolio energy-efficiency improvement).

Ericsson ranked second on the Carbon Disclosure Project (CDP) Swedish Index.

We believe that the Company is in compliance with all material environmental, health and safety laws and regulations which pertain to its operations and business activities. For electronic waste, Ericsson has set even more ambitious targets on a global level than required by the EU Directive on Waste Electrical and Electronic Equipment (WEEE).

Ericsson is also in compliance with the EU Directive on Restriction of Hazardous Substances (RoHS) and the EU regulation Registration, Evaluation, Authorization and limitation of Chemicals (REACH).

Meeting the Millennium Development Goals

Connectivity fuels economic growth, which is particularly vital for the billions of people living at the base of the economic pyramid the markets of the future. To further this end, Ericsson is committed to helping achieve the UN Millennium Development Goals (MDGs), eight goals to eliminate extreme poverty by 2015. As an example, Ericsson is engaged in a public-private partnership with pan-African mobile operators MTN and

Zain and Columbia University s Earth Institute to deliver voice and Internet communications to more than 500,000 people in 10 countries in rural sub-Saharan Africa as part of the Millennium Villages Project.

Employees

In 2008, 90 percent of employees took part in the annual employee opinion survey. By understanding how employees perceive their work environment, the workforce satisfaction and performance can be further developed. During 2008, Ericsson established a group-level program for improved reporting on health and safety issues and performance. Employees periodically acknowledge that they understand the Code of Business Ethics.

Radio waves and health

Ericsson provides public information on radio waves and health and supports independent research to further increase knowledge in this area. Ericsson currently co-sponsors about 40 different ongoing research projects related to electromagnetic fields, radio waves and health; it has supported over 90 studies since 1996. Independent expert groups and public health authorities, including the World Health Organization (WHO), have reviewed the total amount of research and consistently concluded that the balance of evidence does not demonstrate any health effects associated with radio wave exposure from either mobile phones or radio base stations.

Ericsson Response

Ericsson Response is a global employee volunteer initiative to rapidly roll-out communication solutions and provide telecommunications experts to assist disaster relief operations. Efforts are coordinated through the UN Office for the Coordination of Humanitarian Affairs, UN World Food Programme and the International Federation of Red Cross and Red Crescent Societies (IFRC).

In 2008, Ericsson Response provided support to Save the Children in Southern Sudan. After heavy flooding in Panama, communication support was provided to relief workers through IFRC and the Panamanian Red Cross. Ericsson Response continued to support the UN in establishing operations in the Central African Republic.

Sam s Corporate Sustainability Assessment

Ericsson is actively involved with a number of organizations that share the sustainability goals which gives the Company a deepened understanding of our markets. These include:

- **The Business Leaders Initiative on Human Rights** (BLIHR) which seeks to find practical applications of the Universal Declaration of Human Rights within a business context.

- **The UN Global Compact.** A signatory since its inception, Ericsson also supports its Caring for Climate Initiative.

- **The Global e-Sustainability Initiative** (GeSI), a multi-stakeholder ICT industry initiative to find ways to apply technologies to more sustainable development.

- **The Prince of Wales s Corporate Leaders Group on Climate Change**, working toward an international framework to tackle climate change.

Ericsson is also actively engaged in related standardization activities.

CORPORATE GOVERNANCE

In accordance with the Swedish Code of Corporate Governance, a separate Corporate Governance Report including an Internal Control section has been prepared. There have been no amendments or waivers to Ericsson s Code of Business Ethics for any Director, member of management or any other employee.

The corporate bodies involved in the governance of Ericsson are: The shareholders, the Board of Directors, the President and CEO, the Group Management and the external auditors. The Board of Directors works according to a work procedure that outlines rules regarding the distribution of tasks between the Board and its Committees and between the Board, its Committees and the President and CEO. The external auditors examine the financial reports and certain aspects of the internal controls over financial reporting.

Ericsson s operations are governed by the Ericsson Group Management System, consisting of:

- Management and control elements, i.e. objective setting and strategy formulation, Group policies and other steering documents.
- Group-wide standard business processes, including operational processes and IT tools.
- Organization and corporate culture.

Changes to the Board membership

The Board of Directors is elected each year at the Annual General Meeting (AGM) for the period until the next AGM. Three employee representatives are appointed by the trade unions for the same period of time. At the AGM on April 9, 2008, all board members were re-elected except for Katherine M. Hudson who had declined re-election. Roxanne S. Austin was elected as new member of the Board of Directors.

Board remuneration

Members of the Board who are not employees of the Company have not received any compensation other than the fees paid for Board duties as outlined in Notes to the Consolidated Financial Statements Note C29, Information Regarding Employees, Members of the Board of Directors and Management . The 2008 AGM resolved that Board members may choose to receive part of their fees, exclusive of committee work, in the form of synthetic shares, as further described in Note C29. Members and Deputy Members of the Board who are employees (i.e. the CEO and the employee representatives) have not received any remuneration or benefits other than their normal employee entitlements, with the exception of a small fee paid to the employee representatives for each Board meeting attended.

Executive remuneration

Principles for remuneration and other employment terms for top executives were approved by the 2008 AGM. The proposed remuneration policy for Group Management for 2009 remains materially the same as for 2008. See Note C29, Information Regarding Employees, Members of the Board of Directors and Management .

As of December 31, 2008, there were no loans outstanding from, and no guarantees issued to or assumed by Ericsson for the benefit of any member of the Board of Directors or senior management.

Long-Term Variable Compensation program

The Board of Directors proposal for implementation of a Long-Term Variable Compensation (LTV) program for 2008 and transfer of shares in connection therewith was approved by the AGM.

PARENT COMPANY

The Parent Company business consists mainly of corporate management, holding company functions and internal banking activities. The Parent Company business also includes customer credit management, performed on a commission basis by Ericsson Credit AB.

The Parent Company is the owner of the majority of Ericsson s intellectual property rights. It manages the patent portfolio, including patent applications, licensing and cross-licensing of patents and defending of patents in litigations.

The Parent Company has 7 (7) branch offices. In total, the Group has 62 (55) branch and representative offices.

Net sales for the year amounted to SEK 5.1 (3.2) billion and income after financial items was SEK 19.4 (14.7) billion. During the fourth quarter, shares in Symbian Ltd. were sold.

Exports accounted for 70 (59) percent of net sales. No consolidated companies were customers of the Parent Company s sales in 2008 or 2007, while 46 (46) percent of the Parent Company s total purchases of goods and services were from such companies. Major changes in the Parent Company s financial position for the year include decreased investments in subsidiaries of SEK 6.8 billion, mostly attributable to write-downs of investments caused by payment of dividends of approximately the same amount; decreased current and non-current receivables from subsidiaries of SEK 3.1 billion; increased other current receivables of SEK 1.5 billion; increased cash and bank and short-term investments of SEK 13.6 billion. Current and non-current liabilities to subsidiaries decreased by SEK 9.2 billion and other current liabilities increased by SEK 5.6 billion. At year end, cash and bank and short-term investments amounted to SEK 59.2 (45.6) billion.

Ericsson s Annual General Meeting 2008 resolved on a 1:5 reverse split of the Company s shares in which five shares of the company s A and B shares, respectively, were consolidated into one share of Class A and one share of Class B, respectively. In the third quarter, as decided at the Annual General Meeting, a stock issue and a subsequent stock repurchase was carried out. 19.9 million of Ericsson Class C shares were issued and later repurchased as treasury stock. These shares have been converted into Ericsson Class B shares.

As per December 31, 2008, Ericsson had 3,246,351,735 shares. The shares were divided into 261,755,983 Class A shares, each carrying one vote, and 2,984,595,752 Class B shares, each carrying one-tenth of one vote. The two largest shareholders at year end were Investor and Industrivärden holding 19.42 percent and 13.28 percent respectively of the voting rights in the Company.

In accordance with the conditions of the Stock Purchase Plans and Option Plans for Ericsson employees, 5,232,211 shares from treasury stock were sold or distributed to employees during the year. The quotient value of these shares was SEK 26.2 million, representing less than 1 percent of capital stock, and compensation received amounted to SEK 83.4 million. The holding of treasury stock at December 31, 2008, was 61,066,097 Class B shares. The quotient value of these shares is SEK 305.3 million, representing 2 percent of capital stock and related acquisition cost amounts to SEK 589.8 million.

Proposed disposition of earnings

The Board of Directors proposes that a dividend of SEK 1.85 (2.50 in 2007, adjusted for the reverse split) per share be paid to shareholders duly registered on the record date April 27, 2009, and that the Parent Company shall retain the remaining part of non-restricted equity. The Class B treasury shares held by the Parent Company are not entitled to receive a dividend.

Assuming that no treasury shares remain within the Parent Company on the record date, the Board of Directors proposes that earnings be distributed as follows:

Amount to be paid to the shareholders	SEK 6,005,750,710
Amount to be retained by the Parent Company	SEK 35,948,343,168
Total non-restricted equity of the Parent Company	SEK 41,954,093,878

As a basis for its proposal for a dividend, the Board of Directors has made an assessment in accordance with Chapter 18, Section 4 of the Swedish Companies Act of the Parent Company s and the Group s need for financial resources as well as the Parent Company s and the Group s liquidity, financial position in other respects and long-term ability to meet their commitments. The Group reports an equity ratio of 50 (55) percent and a net cash amount of SEK 34.7 (24.3) billion.

The Board of Directors has also considered the Parent Company s result and financial position and the Group s position in general. In this respect, the Board of Directors has taken into account known commitments that may have an impact on the financial positions of the Parent Company and its subsidiaries.

The proposed dividend does not limit the Group s ability to make investments or raise funds, and it is our assessment that the proposed dividend is well-balanced considering the nature, scope and risks of the business activities as well as the capital requirements for the Parent Company and the Group.

POST-CLOSING EVENTS

Ericsson and STMicroelectronics completed the JV deal

On February 3, 2009, Ericsson and STMicroelectronics announced the closing of their agreement merging Ericsson s mobile platform operations and STMicroelectronics unit ST-NXP Wireless unit into a 50/50 joint venture, to be called ST Ericsson. The deal was completed on the terms originally announced on August 20, 2008.

ST Ericsson will be accounted for according to the equity method. Ericsson s share of income before tax will be reported in item Share in earnings of joint ventures and associated companies included in Operating income.

Ericsson to divest its TEMS-branded business to Ascom

On March 23, 2009, Ericsson announced that it has entered into an agreement to divest the TEMS-branded product business, tools for air interface monitoring and radio network planning, to Ascom. The purchase price is CHF 190 million, excluding net of assets and liablilities.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Telefonaktiebolaget LM Ericsson (publ)

In our opinion, the accompanying consolidated balance sheets and the related consolidated income statements, statements of recognized income and expense and cash flow statements present fairly, in all material respects, the financial position of Telefonaktiebolaget LM Ericsson and its subsidiaries at December 31, 2008 and December 31, 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in item 15(b) of the Annual Report on Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Stockholm, April 28, 2009

PricewaterhouseCoopers AB

CONSOLIDATED INCOME STATEMENT

Years ended December 31, SEK million	Notes	2008	2007	2006[1]
Net sales	C3, C4	**208,930**	187,780	179,821
Cost of sales		**-134,661**	-114,059	-104,875
Gross income		**74,269**	73,721	74,946
Gross margin %		**35.5%**	39.3%	41.7%
Research and development expenses		**-33,584**	28,842	27,533
Selling and administrative expenses		**-26,974**	23,199	21,422
Operating expenses		**-60,558**	52,041	48,955
Other operating income and expenses	C6	**2,977**	1,734	3,903
Share in earnings of joint ventures and associated companies	C12	**-436**	7,232	5,934
Operating income		**16,252**	30,646	35,828
Operating margin %		**7.8%**	16.3%	19.9%
Financial income	C7	**3,458**	1,778	1,954
Financial expenses	C7	**-2,484**	1,695	1,789
Income after financial items		**17,226**	30,729	35,993
Taxes	C8	**-5,559**	8,594	9,557
Net income		**11,667**	22,135	26,436
Net income attributable to:				
Stockholders of the Parent Company		**11,273**	21,836	26,251
Minority interest		**394**	299	185
Other information				
Average number of shares, basic (million)[2]	C9	**3,183**	3,178	3,174
Earnings per share attributable to stockholders of the Parent Company, basic (SEK)[2]	C9	**3.54**	6.87	8.27
Earnings per share attributable to stockholders of the Parent Company, diluted (SEK)[2]	C9	**3.52**	6.84	8.23

1) 2006 year figures have been restated for comparability.
2) A reverse split 1:5 was made in June 2008. Comparative figures are restated accordingly.

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CONSOLIDATED BALANCE SHEET

December 31, SEK million	Notes	2008	2007
ASSETS			
Non-current assets			
Intangible assets	C10		
Capitalized development expenses		**2,782**	3,661
Goodwill		**24,877**	22,826
Intellectual property rights, brands and other intangible assets		**20,587**	23,958
Property, plant and equipment	C11, C26, C27	**9,995**	9,304
Financial assets			
Equity in joint ventures and associated companies	C12	**7,988**	10,903
Other investments in shares and participations	C12	**309**	738
Customer finance, non-current	C12	**846**	1,012
Other financial assets, non-current	C12	**4,917**	2,918
Deferred tax assets	C8	**14,858**	11,690
		87,159	87,010
Current assets			
Inventories	C13	**27,836**	22,475
Trade receivables	C14	**75,891**	60,492
Customer finance, current		**1,975**	2,362
Other current receivables	C15	**17,818**	15,062
Short-term investments	C20	**37,192**	29,406
Cash and cash equivalents	C20	**37,813**	28,310
		198,525	158,107
Total assets		**285,684**	245,117
EQUITY AND LIABILITIES			
Equity			
Stockholders equity	C16	**140,823**	134,112
Minority interest in equity of subsidiaries	C16	**1,261**	940
		142,084	135,052
Non-current liabilities			
Post-employment benefits	C17	**9,873**	6,188
Provisions, non-current	C18	**311**	368
Deferred tax liabilities	C8	**2,738**	2,799
Borrowings, non-current	C19, C20	**24,939**	21,320
Other non-current liabilities		**1,622**	1,714
		39,483	32,389
Current liabilities			
Provisions, current	C18	**14,039**	9,358
Borrowings, current	C19, C20	**5,542**	5,896
Trade payables	C22	**23,504**	17,427
Other current liabilities	C21	**61,032**	44,995

	104,117	77,676
Total equity and liabilities[1)]	**285,684**	245,117

1) Of which interest-bearing liabilities and post-employment benefits SEK 40,354 million (SEK 33,404 million in 2007).

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CONSOLIDATED STATEMENT OF CASH FLOWS

January December, SEK million	Notes	2008	2007	2006
Operating activities				
Net income		**11,667**	22,135	26,436[1)]
Adjustments to reconcile net income to cash	C25	**14,318**	7,172	6,060[1)]
		25,985	29,307	32,496
Changes in operating net assets				
Inventories		**-3,927**	-445	-2,553
Customer finance, current and non-current		**549**	365	1,186
Trade receivables		**-11,434**	-7,467	-10,563
Provisions and post-employment benefits		**3,830**	-4,401	-3,729
Other operating assets and liabilities, net		**8,997**	1,851	1,652
		-1,985	-10,097	-14,007
Cash flow from operating activities		**24,000**	19,210	18,489
Investing activities				
Investments in property, plant and equipment	C11	**-4,133**	-4,319	-3,827
Sales of property, plant and equipment		**1,373**	152	185
Acquisitions of subsidiaries and other operations	C26	**-74**	-26,292	-18,078
Divestments of subsidiaries and other operations	C25, C26	**1,910**	84	3,086
Product development	C10	**-1,409**	-1,053	-1,353
Other investing activities		**944**	396	-1,070
Short-term investments		**-7,155**	3,499	6,180
Cash flow from investing activities		**-8,544**	-27,533	-14,877
Cash flow before financing activities		**15,456**	-8,323	3,612
Financing activities				
Proceeds from issuance of borrowings		**5,245**	15,587	1,290
Repayment of borrowings		**-4,216**	-1,291	-9,510
Sale of own stock and options exercised		**3**	94	124
Dividends paid		**-8,240**	-8,132	-7,343
Cash flow from financing activities		**-7,208**	6,258	-15,439
Effect of exchange rate changes on cash		**1,255**	406	58
Net change in cash		**9,503**	-1,659	-11,769
Cash and cash equivalents, beginning of period		**28,310**	29,969	41,738
Cash and cash equivalents, end of period	C20	**37,813**	28,310	29,969

1) Net income includes net income attributable to minority interest. Prior to 2007, net income attributable to minority interest was reported within Adjustments to reconcile net income to cash. 2006 comparatives have been restated to reflect this change.

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CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

Years ended December 31, SEK million	2008	2007	2006
Income and expense recognized directly in equity			
Actuarial gains and losses related to pensions	**-4,015**	1,208	440
Revaluation of other investments in shares and participations			
Fair value remeasurement reported in equity	**-7**	2	-1
Cash Flow hedges			
Fair value remeasurement of derivatives reported in equity	**-5,080**	584	4,100
Transferred to income statement for the period	**1,192**	-1,390	-1,990
Transferred to balance sheet for the period			99
Changes in cumulative translation adjustments	**8,528**	-797	-3,119
Tax on items reported directly in/or transferred from equity	**2,330**	-73	-769
Total transactions reported directly in equity	**2,948**	-466	-1,240
Net income	**11,667**	22,135	26,436
Total income and expense recognized for the period	**14,615**	21,669	25,196
Attributable to:			
Stockholders of the Parent Company	**13,988**	21,371	25,101
Minority interest	**627**	298	95

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

C1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements comprise Telefonaktiebolaget LM Ericsson, the Parent Company, and its subsidiaries (the Company) and the Company s interests in associated companies and joint ventures. The Parent Company is domiciled in Sweden at Torshamnsgatan 23, SE-164 83 Stockholm.

The consolidated financial statements for the year ended December 31, 2008, have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and RFR 1.1 Additional rules for Group Accounting , related interpretations issued by the Swedish Financial Reporting Board (Rådet för Finansiell Rapportering), and the Swedish Annual Accounts Act. Further the Company s financial statements are prepared in accordance with IFRS as issued by IASB.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The financial statements were approved by the Board of Directors on February 20, 2009. The balance sheets and income statements are subject to approval by the annual meeting of shareholders.

New standards, amendments of standards and interpretations, effective as from January 1, 2008:

Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures) (effective from July 1, 2008). An amendment to the Standard, issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. A Company shall disclose the amount reclassified into and out of each category and the reason for that reclassification. This amendment has had no impact on the Company s financial result or financial position as the Company has not adopted this non-mandatory amendment.

IFRIC 11/IFRS 2 Group and Treasury Share Transactions requires a share-based payment arrangement in which a company receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 is mandatory for the Company s 2008 financial statements, with retrospective application required. It has not had any impact on the consolidated financial statements.

IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. This interpretation is still subject to endorsement by the EU. At present, IFRIC 12 is not applicable for the Company.

IFRIC 14/IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds from or reductions in future contributions to defined benefit plans should be regarded as available or firmly decided and provides guidance on the impact of minimum funding requirements (MFR) on such plans. IFRIC 14 also addresses when a MFR might give rise to a liability. IFRIC 14 is mandatory for IFRS users for 2008 financial statements with retrospective application required. It has had no material impact on the consolidated financial statements.

Reverse split

The Annual General Meeting on April 9, 2008, decided on a reverse split 1:5 of the Company s shares. The reverse split had the effect that five shares of Class A and five shares of Class B, respectively, were consolidated into one share of Class A and one share of Class B, respectively. Numbers of shares and Earnings per share for comparison periods have been restated accordingly.

Changes in financial reporting structure

Operations related to product area Internet Payment Exchange (IPX) have been transferred from segment Professional Services to segment Multimedia, and are reported within Multimedia as from January 1, 2008. No restatement is made for year 2007, as the amounts are not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

BASIS OF PRESENTATION

The financial statements are presented in millions of Swedish Krona (SEK). They are prepared on a historical cost basis, except for certain financial assets and liabilities that are stated at fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale, plan assets related to defined benefit pension plans, and share-based payments with related accruals for social security costs. Non-current assets (or disposal groups held for sale) are stated at the lower of carrying amount and fair value less cost to sell.

BASIS OF CONSOLIDATION

The consolidated financial statements are prepared in accordance with the purchase method. Accordingly, consolidated stockholders equity includes equity in subsidiaries, associated companies and joint ventures earned only after their acquisition.

Subsidiaries are all companies in which Ericsson has an ownership interest and directly or indirectly, including effective potential voting rights, has the power to govern the financial and operating policies generally associated with ownership of more than one half of the voting rights or in which Ericsson by agreement has control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and any unrealized income and expense arising from intra-group transactions are fully eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

BUSINESS COMBINATIONS

At the acquisition of a business, the cost of the acquisition, being the purchase price, is measured as the fair value of the assets given, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The acquisition cost is allocated to acquired assets, liabilities and contingent liabilities based upon appraisals made, including assets that were not recognized on the acquired entity s balance sheet, for example intangible assets such as customer relations, brands and patents. Goodwill arises when the purchase price exceeds the fair value of recognizable acquired net assets.

ASSOCIATED COMPANIES AND JOINT VENTURES

Investments in associated companies, i.e. where voting stock interest, including effective potential voting rights, is at least 20 percent but not more than 50 percent, or where a corresponding influence is obtained through agreement, are accounted for in accordance with the equity method. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor s share of the profit or loss of the investee after the date of acquisition. Ericsson s share of income before taxes is reported in item Share in earnings of joint ventures and associated companies , included in Operating Income. This is due to that these interests are held for operating rather than investing or financial purposes. Ericsson s share of income taxes related to associated companies and joint ventures is reported under the line item Taxes in the income statement. Unrealized gains on transactions between the Company and its associated companies and joint ventures are eliminated to the extent of the Company s interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Undistributed shares in earnings of associated companies and joint ventures included in consolidated equity are reported as Retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOREIGN CURRENCY REMEASUREMENT AND TRANSLATION

Items included in the financial statements of each of the Group s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swedish Krona (SEK), which is the Parent Company s functional and presentation currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, unless deferred in equity under the hedge accounting practices as described below.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

GROUP COMPANIES

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting net exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are accounted for in stockholders equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

There is no significant impact due to a currency of a hyperinflationary economy.

STATEMENT OF CASH FLOWS

The cash flow statement is prepared in accordance with the indirect method. Cash flows in foreign subsidiaries are translated at the average exchange rate during the period. Payments for subsidiaries acquired or divested are reported as cash flow from investing activities, net of cash and cash equivalents acquired or disposed of, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash and cash equivalents consist of cash, bank, and short-term investments that are highly liquid monetary financial instruments with a remaining maturity of three months or less at the date of acquisition.

REVENUE RECOGNITION

The Company offers a comprehensive portfolio of telecommunication and data communication systems, multimedia solutions and professional services, covering a range of technologies.

The contracts are of four main types:

- delivery-type.
- contracts for various types of services, for example multi-year managed services contracts.
- licence agreements for the use of the Company s technology or intellectual property rights, not being a part of another product.
- construction-type.

The majority of the Company s products and services are sold under delivery-type contracts including multiple elements, such as base stations, base station controllers, mobile switching centers, routers, microwave transmission links, various software products and related installation and integration services. Such contract elements generally have individual item prices in agreed price lists per customer.

Sales are recorded net of value added taxes, goods returned, trade discounts and rebates. Revenue is recognized with reference to all significant contractual terms when the product or service has been delivered, when the revenue amount is fixed or determinable, and when collection is reasonably assured. Specific contractual performance and acceptance criteria may impact the timing and amounts of revenue recognized.

The profitability of individual contracts is periodically assessed, and provisions for any estimated losses are made immediately when losses are probable.

For sales between consolidated companies, associated companies, joint ventures and segments, the Company applies arm s length pricing.

Definitions of contract types and related more specific accounting revenue recognition criteria

Different revenue recognition methods, based on either IAS 18 Revenue or IAS 11 Construction contracts , are applied based on the solutions provided to customers, the nature and sophistication of the technology involved and the contract conditions in each case.

The contract types that fall under IAS 18 are:

- Delivery-type contracts, are contracts for delivery of a product or a combination of products to form a whole or a part of a network as well as delivery of stand-alone products. Medium-size and large delivery type contracts generally include multiple elements. Such elements are normally standardized types of equipment or software as well as services such as network rollout.

Revenue is recognized when risks and rewards have been transferred to the customer, normally stipulated in the contractual terms of trade. For delivery-type contracts that have multiple elements, revenue is allocated to each element based on relative fair values. If there are undelivered elements essential to the functionality of the delivered elements, the Company defers the recognition of revenue until all elements essential to the functionality have been delivered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Contracts for various types of services include services such as: training, consulting, engineering, installation, multi-year managed services and hosting. Revenue is generally recognized when the services have been provided. Revenue for managed service contracts and other services contracts covering longer periods is recognized pro rata over the contract period.

- Contracts generating licensing fees for the use of the Company s technology or intellectual property rights, i.e. not being a part of a sold product. These are mainly fees related to mobile platform technology and other license revenues from third parties for the right to use the Company s technology in design and production of products for sale. Revenue is recognized based on the number of mobile devices or other products that are produced and sold by the customer/licensee.

The contract type that falls under IAS 11 is:

- Construction-type contracts. In general, a construction type contract is a contract where the Company supplies to a customer, a complete network, which to a large extent is based upon new technology or includes major components which are specifically designed for the customer. Revenues from construction-type contracts are recognized according to stage of completion, generally using the milestone output method.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to stockholders of the Parent Company by the weighted average number of shares outstanding (total number of shares less treasury stock) during the year.

Diluted earnings per share are calculated by dividing net income attributable to stockholders of the Parent Company, when appropriate adjusted by the sum of the weighted average number of ordinary shares outstanding and dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share.

Stock options and rights to matching shares are considered dilutive when the actual fulfillment of any performance conditions as of the reporting date would give a right to ordinary shares. Furthermore, stock options are considered dilutive only when the exercise price is lower than the period s average share price.

FINANCIAL ASSETS

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the settlement date.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Separate assets or liabilities are recognized if any rights and obligations are created or retained in the transfer.

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair values of quoted financial investments and derivatives are based on quoted market prices or rates. If official rates or market prices are not available, fair values are calculated by discounting the expected future cash flows at prevailing interest rates. Valuations of FX options and Interest Rate Guarantees (IRG) are made by using a Black-Scholes formula. Inputs to the valuations are market prices for implied volatility, foreign exchange and interest rates.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term.

Derivatives are classified as held for trading, unless they are designated as hedges. Assets in this category are classified as current assets.

Gains or losses arising from changes in the fair values of the financial assets at fair value through profit or loss category (excl derivatives) are presented in the income statement within Financial income in the period in which they arise. Derivatives are presented in the income statement either as cost of sales, financial income or financial expense, depending on the intent with the transaction.

Loans and receivables

Receivables are subsequently measured at amortized cost using the effective interest rate method, less allowances for impairment charges. Trade receivables include amounts due from customers. The balance represents amounts billed to customer and amounts where risk and rewards have been transferred to the customer but the invoice has not yet been issued.

Collectibility of the receivables is assessed for purposes of initial revenue recognition.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Dividends on available-for-sale equity instruments are recognized in the income statement as part of financial income when the Company s right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement.

Impairment

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

An assessment of impairment of receivables is performed when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is finally established as uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

FINANCIAL LIABILITIES

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Derivatives at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement either as cost of sales, financial income or financial expense depending on the intent of the transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognized at fair value at trade date and subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

a) a hedge of the fair value of recognized liabilities (fair value hedge);

b) a hedge of a particular risk associated with a highly probable forecast transaction (cash flow hedge); or

c) a hedge of a net investment in a foreign operation (net investment hedge).

At the inception of the transaction, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note C20, Financial Risk Management and Financial Instruments . Movements in the hedging reserve in stockholders equity are shown in Note C16, Equity .

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting for hedging fixed interest risk on borrowings. Both gains and losses relating to the interest rate swaps hedging fixed rate borrowings and the changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognized in the income statement within Financial expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to an ineffective portion is recognized immediately in the income statement within financial income or expense.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place), either in Net Sales or Cost of Sales. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

in Cost of Sales in case of inventory or in Depreciation in case of fixed assets. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss which at that time remains in equity is recognized in the income statement when the forecasted transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within financial income or expense.

c) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity. A gain or loss relating to an ineffective portion is recognized immediately in the income statement within financial income or expense. Gains and losses deferred in equity are included in the income statement when the foreign operation is partially disposed of or sold.

FINANCIAL GUARANTEES

Financial guarantee contracts are initially recognized at fair value (i.e. usually the fee received). Subsequently, these contracts are measured at the higher of

- the amount determined as the best estimate of the net expenditure required to settle the obligation according to the guarantee contract, and
- the recognized contractual fee less cumulative amortization when amortized over the guarantee period, using the straight-line-method.

The best estimate of the net expenditure comprises future fees and cash flows from subrogation rights.

INVENTORIES

Inventories are measured at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis.

Risks of obsolescence have been measured by estimating market value based on future customer demand and changes in technology and customer acceptance of new products.

INTANGIBLE ASSETS

a) Intangible assets other than goodwill

Intangible assets other than goodwill comprise capitalized development expenses and acquired intangible assets, such as patents, customer relations, brands and software. At initial recognition, capitalized development expenses are stated at cost while acquired intangible assets related to business combinations are stated at fair value. Subsequent to initial recognition, both capitalized development expenses and acquired intangible assets are stated at initially recognized amounts less accumulated amortization and impairment. Amortization and any impairment losses are included in Research and development expenses, mainly for capitalized development expenses and patents, in Selling and administrative expenses, mainly for customer relations and brands, and in Cost of sales.

Costs incurred for development of products to be sold, leased or otherwise marketed or intended for internal use are capitalized as from when technological and economical feasibility has been established until the product is available for sale or use. These capitalized expenses are mainly generated internally and include direct labor

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and directly attributable overhead. Amortization of capitalized development expenses begins when the product is available for general release. Amortization is made on a product or platform basis according to the straight-line method over periods not exceeding five years. Research and development expenses directly related to orders from customers are accounted for as a part of Cost of sales. Other research and development expenses are charged to income as incurred.

Amortization of acquired intangible assets, such as patents, customer relations, brands and software, is made according to the straight-line method over their estimated useful lives, normally not exceeding ten years.

The Company has not recognized any intangible assets with indefinite useful life other than goodwill.

Impairment tests are performed whenever there is an indication of possible impairment. However, intangible assets not yet available for use are tested annually. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. In assessing value in use, the estimated future cash flows after tax are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Application of after tax amounts in calculation, both in relation to cash flows and discount rate is applied due to that available models for calculating discount rate include a tax component. However, when performing final assessments the discount rate and cash flows are adjusted to reflect pre-tax conditions. Corporate assets have been allocated to cash-generating units in relation to each unit s proportion of total net sales. The amount related to corporate assets is not significant. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amounts and if the recoverable amount is higher than the carrying value. An impairment loss is reversed only to the extent that the asset s carrying amount after reversal does not exceed the carrying amount, net of amortization, which would have been reported if no impairment loss had been recognized.

b) Goodwill

As from the acquisition date, goodwill acquired in a business combination is allocated to each cash-generating unit (CGU) of the Company expected to benefit from the synergies of the combination. Three of Ericsson s four operating segments have been identified as CGUs. No goodwill is assigned to Segment Phones.

An annual impairment test for the CGUs to which goodwill has been allocated is performed in the fourth quarter, or when there is an indication of impairment. Impairment testing as well as recognition of impairment of goodwill is performed in the same manner as for intangible assets other than goodwill, see description under Intangible assets other than goodwill above. An impairment loss in respect of goodwill is not reversed.

Certain specific disclosures are required in relation to goodwill impairment testing. These disclosures are given in Note C2, Critical Accounting Estimates and Judgments below and in note C10, Intangible Assets .

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to income, generally on a straight-line basis, over the estimated useful life of each component of an item of property, plant and equipment, including buildings. Estimated useful lives are, in general, 25 50 years for buildings, 20 years for land improvements, 3 10 years for machinery and equipment, and up to 5 years for rental equipment. Depreciation and any impairment charges are included in Cost of sales, Research and development or Selling and administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing a component and derecognizes the residual value of the replaced component.

Impairment testing as well as recognition or reversal of impairment of property, plant and equipment is performed in the same manner as for intangible assets other than goodwill, see description under Intangible assets other than goodwill above.

Gains and losses on disposals are determined by comparing the proceeds less costs to sell with the carrying amount and are recognized within Other operating income and expenses in the income statement.

LEASING

Leasing when the Company is the lessee

Leases on terms in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that type of asset, although the depreciation period must not exceed the lease term.

Other leases are operating leases, and the leased assets under such contracts are not recognized on the balance sheet. Costs under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Leasing when the Company is the lessor

Leasing contracts with the Company as lessor are classified as finance leases when the majority of risks and rewards are transferred to the lessee, and otherwise as operating leases. Under a finance lease, a receivable is recognized at an amount equal to the net investment in the lease and revenue is recognized in accordance with the revenue recognition principles.

Under operating leases, a balance sheet item of property, plant and equipment is reported and revenue as well as depreciation is recognized on a straight-line basis over the lease term.

INCOME TAXES

Income taxes in the consolidated financial statements include both current and deferred taxes. Income taxes are reported in the income statement unless the underlying item is reported directly in equity. For those items, the related income tax is also reported directly in equity. A current tax liability or asset is recognized for the estimated taxes payable or refundable for the current year or prior years.

Deferred tax is recognized for temporary differences between the book values of assets and liabilities and their tax values and for unutilized tax loss carry forwards. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax loss carry forwards can be utilized. Deferred tax is not recognized for the following temporary differences: goodwill not deductible for tax purposes, for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and for differences related to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. An adjustment of deferred tax asset/liability balances due to a change in the tax rate is recognized in the income statement, unless it relates to a temporary difference earlier recognized directly in equity, in which case the adjustment is also recognized in equity.

The measurement of deferred tax assets involves judgment regarding the deductibility of costs not yet subject to taxation and estimates regarding sufficient future taxable income to enable utilization of unused tax losses in different tax jurisdictions. All deferred tax assets are subject to annual review of probable utilization. The largest amounts of tax loss carry forwards relate to Sweden, with indefinite period of utilization.

PROVISIONS

Provisions are made when there are legal or constructive obligations as a result of past events and when it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. When the effect of the time value of money is material, discounting is made of estimated outflows. However, the actual outflows as a result of the obligations may differ from such estimates.

The provisions are mainly related to warranty commitments, restructuring, projects and other obligations, such as unresolved income tax and value added tax issues, claims or obligations as a result of patent infringement and other litigations, supplier claims and customer finance guarantees.

Product warranty commitments consider probabilities of all material quality issues based on historical performance for established products and expected performance for new products, estimates of repair cost per unit, and volumes sold still under warranty up to the reporting date.

A restructuring obligation is considered to have arisen when the Company has a detailed formal plan for the restructuring (approved by management), which has been communicated in such a way that a valid expectation has been raised among those affected.

Project related provisions include estimated losses on onerous contracts, contractual penalties and undertakings. For losses on customer contracts, a provision equal to the total estimated loss is recorded when a loss from a contract is anticipated and possible to estimate reliably. These contract loss estimates include any probable penalties to a customer under a loss contract.

Other provisions include provisions for income taxes, value added tax issues, litigations, supplier claims, customer finance and other provisions. The Company provides for estimated future settlements related to patent infringements based on the probable outcome of each infringement. The ultimate outcome or actual cost of settling an individual infringement may vary from the Company s estimate.

The Company estimates the outcome of any potential patent infringement made known to the Company through assertion and through the Company s own monitoring of patent-related cases in the relevant legal systems. To the extent that the Company makes the judgment that an identified potential infringement will more likely than not result in an outflow of resources, the Company records a provision based on the Company s best estimate of the expenditure required to settle with the counterpart.

In the ordinary course of business, the Company is subject to proceedings, lawsuits and other unresolved claims, including proceedings under laws and government regulations and other matters. These matters are often

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

resolved over a long period of time. The Company regularly assesses the likelihood of any adverse judgments in or outcomes of these matters, as well as potential ranges of possible losses. Provisions are recognized when it is probable that an obligation has arisen and the amount can be reasonably estimated based on a detailed analysis of each individual issue.

Certain present obligations are not recognized as provisions as it is not probable that an economic outflow will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Such obligations are reported as contingent liabilities. For further detailed information we refer to C24 Contingent liabilities.

POST-EMPLOYMENT BENEFITS

Pensions and other post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company s only obligation is to pay a fixed amount to a separate entity (a pension trust fund) with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditures for defined contribution plans are recognized as expenses during the period when the employee provides service. Under a defined benefit plan, it is the Company s obligation to provide agreed benefits to current and former employees. The related actuarial and investment risks fall on the Company.

The present value of the defined benefit obligations for current and former employees is calculated using the Projected Unit Credit Method. The discount rate for each country is determined by reference to market yields on high-quality corporate bonds that have maturity dates approximating the terms of the Company s obligations. In countries where there is no deep market in such bonds, the market yields on government bonds are used, considering the medium term trend of such bonds. The calculations are based upon actuarial assumptions, assessed on a quarterly basis, and are as a minimum prepared annually. Actuarial assumptions are the Company s best estimate of the variables that determine the cost of providing the benefits. When using actuarial assumptions, it is possible that the actual result will differ from the estimated result or that the actuarial assumptions will change from one period to another. These differences are reported as actuarial gains and losses. They are for example caused by unexpectedly high or low rates of employee turnover, changed life expectancy, salary changes, changes in the discount rate and differences between actual and expected return on plan assets. Actuarial gains and losses are recognized in equity in the period in which they occur. The Company s net liability for each defined benefit plan consists of the present value of pension commitments less the fair value of plan assets and is recognized net on the balance sheet. When the result is a net benefit to the Company, the recognized asset is limited to the total of any cumulative past service cost and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The net of return on plan assets and interest on pension liabilities is reported as financial income or expense, while the current service cost and any other items in the annual pension cost are reported as operating income or expense.

Payroll taxes related to actuarial gains and losses are reported in equity together with the recognition of actuarial gains and losses.

SHARE-BASED COMPENSATION TO EMPLOYEES AND THE BOARD OF DIRECTORS

Share-based compensation is related to remuneration to employees, including key management personnel and the Board of Directors. Under IFRS, a company shall recognize compensation costs for share-based compensation programs to employees based on a measure of the value to the company of services received from the employees under the plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

a) Compensation to employees

Stock Option Plans

In accordance with IFRS 1 and IFRS 2, Ericsson has chosen not to apply IFRS 2 to equity instruments granted before November 7, 2002.

IFRS 2 is applied to the equity settled employee option program granted after November 7, 2002 (i.e. on program where the vesting period ended 2005). Ericsson recognizes compensation costs representing the fair value at grant date of the outstanding employee options. In the balance sheet, the corresponding amounts are accounted for as equity. The fair value of the options is calculated using an option-pricing model. The total costs are recognized during the vesting period, i.e. the period during which the employees had to fulfill vesting requirements. When the options are exercised, social security charges are to be paid in certain countries on the value of the employee benefit; generally based on the difference between the market price of the share and the strike price. Such social security charges are accrued during the vesting period.

Stock Purchase Plans

For stock purchase plans, compensation costs are recognized during the vesting period, based on the fair value of the Ericsson share at the employee s investment date. The fair value is based upon the share price at investment date, adjusted for the fact that no dividends will be received on matching shares prior to matching. The employees pay a price equal to the share price at investment date for the investment shares. The investment date is considered as the grant date. In the balance sheet, the corresponding amounts are accounted for as equity. Vesting conditions are non-market based and affect the number of shares that Ericsson will match. When calculating the compensation costs for shares under performance-based matching programs, the Company at each reporting date assesses the probability of meeting the performance targets. Compensation expenses are based on estimates of the number of shares that will match at the end of the vesting period. When shares are matched, social security charges are to be paid in certain countries on the value of the employee benefit. The employee benefit is generally based on the market value of the shares at the matching date. During the vesting period, estimated amounts for such social security charges are accrued.

b) Compensation to the Board of Directors

During 2008, the Company introduced a share-based compensation program as a part of the remuneration to the Board of Directors. The program gives non-employed Directors elected by the General Meeting of Shareholders a right to receive part of their remuneration as a future payment of an amount which corresponds to the market value of a share of class B in the Company at the time of payment, as further disclosed in Note C29, Information Regarding Employees, Members of the Board of Directors and Management . The cost for cash settlements is measured based on the estimated costs for the program on a pro rata basis during the service period, being one year. The estimated costs are remeasured during and at the end of the service period.

SEGMENT REPORTING

Financial information is provided to the Board of Directors for both primary and secondary segments. These segments are subject to risks and returns that are different from those of other segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Primary segments

A primary segment is a business segment consisting of a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of the other business segments. Mainly the following factors have been considered when identifying the differences:

- Differences in products and services regarding: technology and standardization, research and development, production and service.
- For which market and to what type of customers the segment s products and/or services are aimed.
- Through which distribution channels products and services are sold.

Secondary segments

Secondary, geographical segments are defined based on differences in economic and market conditions, risks and returns for particular geographical environments.

BORROWING COSTS

The Company does not capitalize any borrowing costs. Such costs are expensed as incurred.

NON-CURRENT ASSETS (OR DISPOSAL GROUP) HELD FOR SALE

To be classified as an asset (or disposal group) held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable, requiring that the appropriate level of management has authorized the plan to sell and that there is an active plan to complete the sale.

Non-current assets (or disposal groups) held for sale are measured at the lower of carrying amount and fair value less costs to sell.

GOVERNMENT GRANTS

Government grants are recognized when there is a reasonable assurance of compliance with conditions attached to the grants and that the grants will be received.

For the Company, government grants are linked to performance of research or development work or to capital expenditures that are subsidized as governmental stimulus to employment or investments in a certain country or region. Government grants linked to research and development are normally deducted in reporting the related expense, whereas grants related to assets are accounted for deducting the grant when establishing the acquisition cost of the asset.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of issued new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2008, and have not been applied in preparing these consolidated financial statements:

IFRS 8 Operating Segments . This standard prescribes measurement and presentation of segments and replaces IAS 14 Segment reporting . The new standard requires a management approach , under which segment information is presented on the same basis as that used for internal reporting to the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Board of Directors. An entity shall apply this IFRS in its annual financial statements for periods beginning on or after January 1, 2009. The Company will apply this new standard as from January 1, 2009. The new standard will not result in any changes of the reportable segments. However, the new 50/50 joint venture, ST Ericsson, established February 1, 2009, will be reported as a separate segment.

IAS 1 (Revised), Presentation of financial statements (effective from January 1, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply this revised standard as from January 1, 2009.

Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs as incurred and requires that a company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company s 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions, the Company will apply the revised IAS 23 prospectively to design or construction of qualifying assets from the effective date January 1, 2009. The revised standard is not expected to have a significant impact on the financial statements of the Company.

IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective from July 1, 2009). The amendment to the standard is still subject to endorsement by the EU. The change implies, among other things, that minority interest shall always be recognized even if the minority interest is negative, transactions with minority interests shall always be recorded in equity, and, in those cases when a partial disposal of a subsidiary results in that the entity loses control of the subsidiary, any remaining interest should be revalued to fair value. The change in the standard will influence the accounting of future transactions. At present, the Company plans to apply the standard from January 1, 2010.

IAS 32 and IAS 1 (Amendments) Puttable Financial Instruments and Obligations Arising on Liquidation (Effective from January 1, 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments, that impose an obligation on the entity to deliver to another party a pro rata share of the net assets of the entity only on liquidation, as equity, provided the financial instruments have particular features and meet specific conditions. The amendments are not expected to have any impact on the Company s financial statements.

IAS 39 (Amendment) Financial instruments: Recognition and Measurement Eligible hedged Items (effective from July 1, 2009). The amendment to the standard is still subject to endoresement by the EU. The amendment clarifies how the existing principles underlying hedge accounting should be applied in two particular situations. It clarifies the designation of:

a) a one-sided risk in a hedged item (hedging with options), and

b) inflation in a financial hedged item.

It is not expected to have a material impact on the Company s financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IFRS 1 and IAS 27 (Amendments) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective from January 1, 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. These amendments are not applicable, as the Company is not a first-time adopter.

IFRS 2 (Amendment), Share-based payment (effective from January 1, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company will apply IFRS 2 (Amendment) from January 1, 2009, but is not expected to have a material impact on the consolidated financial statements. The Company will apply this new standard as from January 1, 2009.

IFRS 3 (Amendment) Business Combinations (effective from July 1, 2009). The amendment to the standard is still subject to endorsement by the EU. The amendment will have an effect on how future business combinations are accounted for, i.e. the accounting of transaction costs, possible contingent considerations, and business combinations achieved in stages. At present, the Company plans to apply the standard from January 1, 2010.

IFRIC 13 Customer Loyalty Programmes addresses the accounting by companies that operate, or otherwise participate in, customer loyalty programmes for their customers. IFRIC 13 relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Company s 2009 financial statements, is not expected to have any significant impact on the consolidated financial statements.

IFRIC 15 Agreements for Construction of Real Estate (effective from January 1, 2009). The interpretation clarifies whether IAS 18, Revenue , or IAS 11, Construction contracts should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not expected to have significant impact on the Company s financial result and position. This interpretation is still subject to endorsement by the EU.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective from October 1, 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency, not presentation currency, and hedging instruments may be held anywhere in the Company. The requirements of IAS 21, The effects of changes in foreign exchange rates , do apply to the hedged item. The Company will apply IFRIC 16 from January 1, 2009. It is not expected to have a material impact on the Company s financial statements.

IFRIC 17, Distributions of Non-cash Assets to Owners (mandatory for accounting periods beginning on or after July 1, 2009). This interpretation is still subject to endorsement by the EU. IFRIC 17 clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity, and that this payable should be measured at the fair value of the net asset to be distributed. When an entity settles the dividend payable, it should recognize the difference between the dividend paid and the carrying amount of the net asset distributed in profit or loss. IFRIC 17 also clarifies that IFRS 5 Non-current Assets Held for Sale and Discontinued Operations should be applied for non-current assets classified as held for distribution to owners. The Company will apply IFRIC 17 to distributions of non-cash assets, as well as pro rata distributions of non-cash assets, prospectively from January 1, 2010.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IFRIC 18 Transfers of Assets from Customers (effective for transfers of property, plant and equipment or cash from a customer, received on or after July 1, 2009). This interpretation is still subject to endorsement by the EU. IFRIC 18 clarifies the requirements for agreements in which an entity receives an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation clarifies e.g. the circumstances in which the definition of an asset is met, the recognition of the asset and the measurement of its cost on initial recognition, and also the recognition of revenue. The evaluation of this interpretation is not finalized.

Improvements to IFRSs, published in May 2008 and effective from January 1, 2009. None of these improvements are expected to have a material impact on the Company s financial statements.

C2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements and application of accounting standards often involve management s judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. However, other results may be derived with different judgments or using different assumptions or estimates, and events may occur that could require a material adjustment to the carrying amount of the asset or liability affected. Following are the accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

The information in this note is grouped as per:

Key sources of estimation uncertainty.

Judgments management has made in the process of applying the Company s accounting policies.

REVENUE RECOGNITION

Key sources of estimation uncertainty

Estimates are necessary in evaluation of contractual performance and estimated total contract costs for assessing whether any loss provisions are to be made or if customers will reach conditional purchase volumes triggering contractual discounts to be given.

Judgments made in relation to accounting policies applied

Parts of the Company s sales are generated from large and complex customer contracts. Managerial judgment is applied regarding, among other aspects, conformance with acceptance criteria and if transfer of risks and rewards to the buyer has taken place to determine if revenue and costs should be recognized in the current period, degree of completion and the customer credit standing to assess whether payment is likely or not to justify revenue recognition.

TRADE AND CUSTOMER FINANCE RECEIVABLES

Key sources of estimation uncertainty

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual receivables will be paid. Total allowances for estimated losses as of December 31, 2008, were SEK 1.8 (1.6) billion or 2.2 (2.5) percent of gross trade and customer finance receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Credit risks for outstanding customer finance credits are regularly assessed as well, and allowances are recorded for estimated losses.

INVENTORY VALUATION

Key sources of estimation uncertainty

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales volumes and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess volumes are made. Inventory allowances for estimated losses as of December 31, 2008, amounted to SEK 3.5 (2.8) billion or 11 (11) percent of gross inventory.

DEFERRED TAXES

Key sources of estimation uncertainty

Deferred tax assets are recognized for temporary differences between the carrying amounts for financial reporting purposes of assets and liabilities and the amounts used for taxation purposes and for tax loss carry-forwards. The largest amounts of tax loss carry-forwards are reported in Sweden, with an indefinite period of utilization (i.e. with no expiry date). The valuation of tax loss carry-forwards, deferred tax assets and the Company s ability to utilize tax losses is based upon management s estimates of future taxable income in different tax jurisdictions. For further detailed information, please refer to note C8, Taxes .

At December 31, 2008, the value of deferred tax assets amounted to SEK 14.9 (11.7) billion. The deferred tax assets related to loss carryforwards are reported as non-current assets.

ACCOUNTING FOR INCOME-, VALUE ADDED- AND OTHER TAXES

Key sources of estimation uncertainty

Accounting for these items is based upon evaluation of income-, value added- and other tax rules in all jurisdictions where we perform activities. The total complexity of rules related to taxes and the accounting for these require management s involvement in judgments regarding classification of transactions and in estimates of probable outcomes of claimed deductions and/or disputes.

CAPITALIZED DEVELOPMENT EXPENSES

Key sources of estimation uncertainty

Impairment testing is performed after initial recognition whenever there is an indication of impairment. Intangible assets not yet available for use are tested annually. The impairment amounts are based on estimates of future cash flows for the respective products.

At December 31, 2008, the amount of capitalized development expenses amounted to SEK 2.8 (3.7) billion. An impairment charge of SEK 0.5 billion was recognized as a part of the restructuring program. Under this program decisions where taken to phase out certain products. The impairment charge relates to balances for these products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Judgments made in relation to accounting policies applied

Development costs that meet IFRS intangible asset recognition criteria for products that will be sold, leased or otherwise marketed as well as those intended for internal use are capitalized. The starting point for capitalization is based upon management s judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. Capitalization ceases and amortization of capitalized development costs begins when the product is available for general release.

The definition of amortization periods as well as the evaluation of impairment indicators also requires management s judgment.

ACQUIRED INTELLECTUAL PROPERTY RIGHTS AND OTHER INTANGIBLE ASSETS, INCLUDING GOODWILL

Key sources of estimation uncertainty

At initial recognition, future cash flows are calculated, ensuring that the initial carrying values do not exceed the discounted cash flows for the items of this type of assets. Impairment testing is performed after initial recognition whenever there is an indication of impairment, except for goodwill for which impairment testing is performed at least once per year. Negative deviations in actual cash flows compared to estimated cash flows as well as new estimates that indicate lower future cash flows might result in recognition of impairment charges. One source of uncertainty related to future cash flows is long-term movements in exchange rates.

The market Capitalization of the Company as per year end 2008 well exceeded the value of net assets of the Company.

For further discussion on goodwill, see Note C1, Significant Accounting Policies and C10, Intangible Assets . Estimates related to acquired intangible assets are based on similar assumptions and risks in assumptions as for goodwill.

At December 31, 2008, the amount of acquired intellectual property rights and other intangible assets amounted to SEK 45.5 (46.8) billion, including goodwill of SEK 24.9 (22.8) billion.

Judgments made in relation to accounting policies applied

At initial recognition and subsequent measurement, management judgments are made, both for key assumptions and regarding impairment indicators. In the purchase price allocation made for each acquisition, the purchase price shall be assigned to the identifiable assets, liabilities and contingent liabilities based on fair values for theses net assets. Any remaining excess value is reported as goodwill. This allocation requires management judgment as well as the definition of cash generating units for impairment testing purposes. Other judgments might result in significantly different results and financial position in the future.

PROVISIONS

Pension and other post-employment benefits

Key sources of estimation uncertainty

Accounting for the costs of defined benefit pension plans and other applicable post-employment benefits is based on actuarial valuations, relying on key estimates for discount rates, expected return on plan assets, future

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

salary increases, turnover rates and mortality tables. The discount rate assumptions are based on rates for high-quality fixed-income investments with durations as close as possible to the Company s pension plans. Expected returns on plan assets consider long-term historical returns, allocation of assets and estimates of future long-term investment returns. At December 31, 2008 defined benefit obligations for pensions and other post-employment benefits amounted to SEK 28.0 (25.2) billion and fair value of plan assets to SEK 19.0 (20.2) billion. For more information on estimates and assumptions, see Note C17, Post-Employment Benefits .

Warranty provisions

Key sources of estimation uncertainty

Provisions for product warranties are based on current volumes of products sold still under warranty and on historic quality rates for mature products as well as estimates and assumptions on future quality rates for new products and estimates of costs to remedy the various qualitative issues that might occur. Total provisions for product warranties as of December 31, 2008, amounted to SEK 1.9 (1.8) billion.

Provisions other than warranty provisions

Key sources of estimation uncertainty

Provisions, other than warranty provisions, mainly comprise amounts related to contractual obligations and penalties to customers and estimated losses on customer contracts, restructuring, risks associated with patent and other litigations, supplier or subcontractor claims and/or disputes, as well as provisions for unresolved income tax and value added tax issues. The estimates related to the amounts of provisions for penalties, claims or losses receive special attention from the management. At December 31, 2008, Provisions other than warranty commitments amounted to SEK 12.4 (7.9) billion. For further detailed information, see Note C18, Provisions .

Judgments made in relation to accounting policies applied

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management s judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Hedge accounting and foreign exchange risks

Key sources of estimation uncertainty

Foreign exchange risk in highly probable sales and purchases in future periods are hedged using foreign exchange derivative instruments designated as cash-flow hedges.

Judgments made in relation to accounting policies applied

Establishing highly probable sales volumes involves gathering and evaluating sales and purchases estimates for future periods as well as analyzing actual outcome to estimates on a regular basis in order to fulfill effectiveness testing requirements for hedge accounting. Changes in estimates of sales and purchases might result in that hedge accounting is discontinued.

For further information regarding risks in financial instruments see, Note C20, Financial Risk Management and Financial Instruments .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

C3 SEGMENT INFORMATION

Primary segments

Ericsson has the following business segments:

Networks delivers products and solutions for mobile and fixed broadband access, core networks and transmission as well as related network rollout services. The offering includes:

- radio access solutions interconnect with devices such as mobile phones, notebooks and PCs, supporting different standardized mobile technologies, such as GSM and WCDMA on the same platform.
- access solutions, recently expanded by acquisitions, increase the customers ability to modernize fixed networks to enable new IP-based services with higher bandwidth.
- our core network solutions include industry-leading softswitches, IP infrastructure for EDGE- and core routing, IP Multimedia Subsystem (IMS) and media gateways.
- transmission; microwave and optical transmission solutions for mobile and fixed networks.
- related network rollout services.

GSM and WCDMA share a common core network, preserving investments. IMS is a platform that enables converged services to be transparently provided indepent of the type of access used.

Professional Services delivers managed services, systems integration, consulting, education and general customer support services. The offering includes:

- managed services comprise network operations (the managment of day-to-day operations of customer networks) and hosting of service layer platforms and applications.
- systems integration; Ericsson integrates equipment from multiple suppliers and handles technology change programs as well as design and integration of new solutions.
- consulting; experts in business and technology strategy provide support (decision making, planning and execution) to customers in improving and growing their business.

education; tailored programs to ensure operator personnel have the right skills and competence to manage their increasingly complex systems.

customer support services; staff world-wide provide around-the-clock support and advice to ensure network uptime and performance.

Multimedia delivers enablers and applications that the operators need to deliver a rich user experience seamlessly on any device, any time and anywhere.

The offering includes:

TV solutions, end-to-end solutions for operators, service providers, advertisers and content providers.

customer and business applications; multimedia solutions for the consumer and enterprise markets.

multimedia brokering solutions which facilitate payment and distribution of content.

service delivering and provisioning platforms enabling operators and service providers to create, sell and manage multimedia offerings and multi-play offerings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

mobile platforms; platform technology for GSM/EDGE and WCDMA/HSPA used in mobile devices and PCs.

Phones, consisting of Ericsson s investment and share in earnings of the Sony Ericsson Mobile Communications joint venture. Sony Ericsson delivers innovative and feature-rich mobile phones, accessories and PC-cards.

SECONDARY SEGMENTS

Ericsson operates in five main geographical areas: (1) Western Europe, (2) Central and Eastern Europe, Middle East and Africa, (3) Asia Pacific, (4) North America and (5) Latin America. These areas represent the geographical segments.

BUSINESS SEGMENTS (PRIMARY)

2008	Networks	Professional Services	Multimedia	Phones	Unallocated	Eliminations	Group
Net sales	142,050	48,978	17,902				208,930
Inter-segment sales							
Total net sales	**142,050**	**48,978**	**17,902**				**208,930**
Share in earnings of JV and associated companies	-25	92	-2	-503			-436
Operating income	**11,145**	**6,346**	**-118**	**-503**	**-618**		**16,252**
Operating margin (%)	8%	13%	-1%				8%
Financial income							3,458
Financial expenses							-2,484
Income after financial items							**17,226**
Taxes							-5,559
Net income							**11,667**
Assets[1)2)]	119,351	42,701	20,771		94,873		277,696
Equity in joint ventures and associated companies	852	322	120	6,694			7,988
Total assets	**120,203**	**43,023**	**20,891**	**6,694**	**94,873**		**285,684**
Liabilities[3)4)]	**58,739**	**25,868**	**5,363**		**53,630**		**143,600**

1) Segment assets include property, plant and equipment, intangible assets, current and non-current customer finance, accounts receivable, inventory, prepaid expenses, accrued revenues, derivatives and other current assets.

2) Unallocated assets include mainly cash and cash equivalents, short-term investments and deferred tax assets.
3) Segment liabilities include accounts payable, provisions, accrued expenses and deferred revenues, advances from customers and other current liabilities.
4) Unallocated liabilities include accrued interests, tax liabilities, interest-bearing liabilities and post-employment benefits.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other segment items

2008	Networks	Professional Services	Multimedia	Phones	Unallocated	Eliminations	Group
Property, plant and equipment and intangible assets							
Additions to property plant and equipment	3,085	735	257		56		4,133
Acquisitions/capitalization of intangible assets	693	11	583				1,287
Depreciation	-2,347	-532	-228		-1		-3,108
Amortization	-3,210	-368	-1,429		1		-5,006
Impairment losses	-547		-19				-566
Reversals of impairment losses	6	1					7
Restructuring expenses	-5,131	-1,272	-337	-846	-20		-7,606
Gains/losses from divestments	9	-16	992		113		1,098

GEOGRAPHICAL SEGMENTS (SECONDARY)

2008	Net sales	Total assets	Additions/ capitalization of PP&E and intangible assets
Western Europe	51,570	214,501	4,065
of which Sweden	*8,876*	*189,827*	*2,909*
Central and Eastern Europe, Middle East and Africa	53,080	13,628	93
Asia Pacific	63,307	38,407	370
of which China	*15,068*	*13,937*	*140*
of which India	*15,176*	*12,705*	*85*
North America	17,925	8,164	739
of which United States	*14,132*	*7,761*	*697*
Latin America	23,048	10,984	153
Total	**208,930**	**285,684**	**5,420**
of which EU	*57,601*	*222,401*	*4,101*

For employee information, see Note C29, Information Regarding Employees, Members of the Board of Directors and Management.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

BUSINESS SEGMENTS (PRIMARY)

2007	Networks	Professional Services	Multimedia[1]	Phones	Unallocated	Eliminations	Group
Net sales	128,985	42,892	15,903				187,780
Inter-segment sales	32	10	2			-44	0
Total net sales	**129,017**	**42,902**	**15,905**			**-44**	**187,780**
Share in earnings of JV and associated companies	61	66	-3	7,108			7,232
Operating income	**17,398**	**6,394**	**-135**	**7,108**	**-119**		**30,646**
Operating margin (%)	13%	15%	-1%				16%
Financial income							1,778
Financial expenses							-1,695
Income after financial items							**30,729**
Taxes							-8,594
Net income							**22,135**
Assets[2,3]	107,819	36,974	18,739		70,682		234,214
Equity in joint ventures and associated companies	850	298	206	9,549			10,903
Total assets	**108,669**	**37,272**	**18,945**	**9,549**	**70,682**		**245,117**
Liabilities[4,5]	**39,819**	**19,101**	**4,915**		**46,230**		**110,065**

1) Multimedia figures include the Enterprise PBX business which was divested in 2008.
2) Segment assets include property, plant and equipment, intangible assets, current and non-current customer finance, accounts receivable, inventory, prepaid expenses, accrued revenues, derivatives and other current assets.
3) Unallocated assets include mainly cash and cash equivalents, short-term investments and deferred tax assets.
4) Segment liabilities include accounts payable, provisions, accrued expenses and deferred revenues, advances from customers and other current liabilities.
5) Unallocated liabilities include accrued interests, tax liabilities, interest-bearing liabilities and post-employment benefits.

Other segment items

2007	Networks	Professional Services	Multimedia[1]	Phones	Unallocated	Eliminations	Group

Property, plant and equipment and intangible assets					
Additions to property plant and equipment	3,264	806	249		4,319
Acquisitions/capitalization of intangible assets	15,401	2,973	11,464		29,838
Depreciation	-2,601	-367	-152	-1	-3,121
Amortization	-4,630	-237	-566		-5,433
Impairment losses	-105	-1			-106
Reversals of impairment losses	297				297
Gains/losses from divestments				280	280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GEOGRAPHICAL SEGMENTS (SECONDARY)

2007	Net sales	Total assets	Additions/ capitalization of PP&E and intangible assets
Western Europe	52,685	160,606	12,127
of which Sweden	*8,395*	*117,887*	*2,671*
Central and Eastern Europe, Middle East and Africa	48,661	10,737	230
Asia Pacific	54,629	26,852	1,124
of which China	*13,598*	*9,915*	*704*
of which India	*10,517*	*6,642*	*71*
North America	13,422	32,815	20,528
of which United States	*10,529*	*31,573*	*17,668*
Latin America	18,383	14,107	148
Total	**187,780**	**245,117**	**34,157**
of which EU	*58,978*	*161,251*	*10,609*

For employee information, see Note C29, Information Regarding Employees, Members of the Board of Directors and Management.

BUSINESS SEGMENTS (PRIMARY)

2006[1)]	Networks	Professional Services	Multimedia[2)]	Phones	Unallocated	Eliminations	Group
Net sales	127,518	36,813	13,877		1,613		179,821
Inter-segment sales	176	34	17		2	-229	0
Total net sales	**127,694**	**36,847**	**13,894**		**1,615**	**-229**	**179,821**
Share in earnings of JV and associated companies	18	21	43	5,852			5,934
Operating income	**21,722**	**5,309**	**714**	**5,852**	**2 231**[7)]		**35,828**
Operating margin (%)	17%	14%	5%				20%
Financial income							1,954
Financial expenses							-1,789
Income after financial items							**35,993**
Taxes							-9,557

Net income						**26,436**
Assets[3,4]	100,792	21,141	6,657		76,941	205,531
Equity in joint ventures and associated companies	918	170	280	8,041		9,409
Total assets	**101,710**	**21,311**	**6,937**	**8,041**	**76,941**	**214,940**
Liabilities[5,6]	**42,837**	**17,718**	**4,011**		**29,479**	**94,045**

1) Ericsson has reorganized its operating structure as of January 1, 2007. Comparative figures for 2006 are restated accordingly. For further details see note C1, Significant Accounting Policies.

2) Multimedia figures include the Enterprise PBX business which was divested in 2008.

3) Segment assets include property, plant and equipment, intangible assets, current and non-current customer finance, accounts receivable, inventory, prepaid expenses, accrued revenues, derivatives and other current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4) Unallocated assets include mainly cash and cash equivalents, short-term investments and deferred tax assets.
5) Segment liabilities include accounts payable, provisions, accrued expenses and deferred revenues, advances from customers and other current liabilities.
6) Unallocated liabilities include accrued interests, tax liabilities, interest-bearing liabilities and post-employment benefits.
7) Unallocated operating income include the effect of the divesture of the Defense business by SEK 2,963 million.

Other segment items

2006[1)]	Networks	Professional Services	Multimedia[2)]	Phones	Unallocated	Eliminations	Group
Property, plant and equipment and intangible assets							
Additions to property, plant and equipment	3,462	291	74				3,827
Acquisitions/capitalization of intangible assets	16,403	1,512	404				18,319
Depreciation	-2,689	-271	-47				-3,007
Amortization	-4,015	-116	68		-38		-4,237
Impairment losses	-303						-303
Reversals of impairment losses	31						31
Restructuring expenses	-2,400	-402	-106				-2,908
Gains/losses from divestments					2,945		2,945

GEOGRAPHICAL SEGMENTS (SECONDARY)

2006	Net sales[1)]	Total assets	Additions/ capitalization of PP&E and intangible assets
Western Europe	53,182	158,773	20,704
of which Sweden	*7,809*	*125,578*	*17,819*
Central and Eastern Europe, Middle East and Africa	46,413	8,139	147
Asia Pacific	47,884	24,853	419
of which China	*11,776*	*9,088*	*206*
of which India	*7,359*	*5,936*	*39*
North America	15,862	10,893	798
of which United States	*13,878*	*10,231*	*739*
Latin America	16,480	12,282	78
Total	**179,821**	**214,940**	**22,146**
of which EU[2)]	*58,983*	*160,074*	*20,763*

1) Revenues from intellectual property rights (IPR) related to products are as from 2007 reported in Net sales with related costs reported as Cost of sales. Comparative figures for 2006 have been restated accordingly.
2) Restated for Bulgaria and Romania which entered into the European Union as from 2007.

For employee information, see Note C29, Information Regarding Employees, Members of the Board of Directors and Management.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

C4 NET SALES

	2008	2007	2006[1)]
Sales of products and network rollout services	**150,846**	138,011	137,758
Of which:			
Delivery-type contracts	**148,358**	130,890	123,206
Construction-type contracts	**2,488**	7,121	14,552
Professional Services sales	**48,978**	42,892	36,813
License revenues	**9,106**	6,877	5,250
Net sales	**208,930**	187,780	179,821
Export sales from Sweden	**109,254**	102,486	98,694

1) Revenues from intellectual property rights (IPR) related to products are as from 2007 reported in Net sales with related costs reported as Cost of sales. Comparative figures for 2006 have been restated accordingly.

C5 EXPENSES BY NATURE

	2008	2007	2006
Goods and services	**138,298**	113,195	108,033
Amortization and depreciation	**8,114**	8,554	7,244
Impairments, net of reversals	**2,680**	1,435	876
Employee remunerations	**51,297**	44,771	42,821
Interest expenses	**2,484**	1,695	1,789
Taxes	**5,559**	8,594	9,557
Expenses incurred	**208,432**	178,244	170,320
Less:			
Inventory changes[1)]	**3,761**	802	3,791
Additions to Capitalized development	**1,409**	1,053	1,353
Expenses charged to the Income Statement	**203,262**	176,389	165,176

1) The inventory changes are based on changes of inventory values prior to allowances (gross value).

The change in Impairments, net of reversals, mainly relate to an increase of obsolescence allowances in inventories, impairments of Capitalized development expenses and an increase in impairments of trade receivables.

For 2008, restructuring charges amounted to SEK 6.7 billion. Restructuring charges are included in the expenses presented above.

RESTRUCTURING CHARGES BY FUNCTION

	2008	2007	2006
Cost of sales	**2,540**		1,566
R&D expenses	**2,648**		595
Selling and administrative expenses	**1,572**		747
Total restructuring charges	**6,760**		2,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

C6 OTHER OPERATING INCOME AND EXPENSES

	2008	2007	2006[1)]
Gains on sales of intangible assets and PP&E	**302**	78	27
Losses on sales of intangible assets and PP&E	**-190**	-104	-158
Gains on sales of investments and operations	**1,236**	296	3,038
Losses on sales of investments and operations	**-138**	-16	-93
Capital gains/losses, net	**1,210**	254	2,814
Other operating revenues	**1,767**	1,480	1,089
Total other operating income and expenses	**2,977**	1,734	3,903

1) Revenues from intellectual property rights (IPR) related to products are as from 2007 reported in Net sales with related costs reported as Cost of sales. Comparative figures for 2006 have been restated accordingly.

C7 FINANCIAL INCOME AND EXPENSES

	2008		2007		2006	
	Financial income	Financial expenses	Financial income	Financial expenses	Financial income	Financial expenses
Contractual interest from financial assets	**2,938**		2,293		1,952	
Of which from financial assets at fair value through profit or loss	***2,282***		*1,094*		*1,190*	
Contractual interest from financial liabilities		**-2,023**		-1,543		-1,416
Of which from financial liabilities at fair value through profit or loss						
Net gain/loss on:						
Instruments at fair value through profit or loss[1)]	**322**	**280**	-181	-60	-60	-366
Of which included in fair value hedge relationships		***-32***		*-7*		*-414*
Available for sale						
Loans and receivables	**191**		-342			-160
Liabilities at amortized cost		**-656**		11		383
Other financial income and expenses	**7**	**-85**	8	-103	62	-230
Total	**3,458**	**-2,484**	1,778	-1,695	1,954	-1,789

1) Excluding net loss from operating assets and liabilities which was SEK 4,234 (762) million reported as Cost of Sales.

C8 TAXES

On December 10, 2008 the Swedish Parliament decided to reduce the company tax rate from 28 percent to 26,3 percent. This new tax rate will become applicable from the income year of 2009, and has affected the assessment of deferred tax assets and deferred tax debts. In summary, the

Group tax expense for the year was SEK 5,559 (8,594) million or 32.3 (28.0) percent of the income after financial items.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

INCOME TAXES RECOGNIZED IN THE INCOME STATEMENT

The following items are included in Taxes:

	2008	2007	2006
Current income taxes for the year	**-5,574**	-4,115	-4,565
Current income taxes related to prior years	**167**	-294	-169
Deferred tax income/expense ( )	**-297**	-2,227	-3,582
Share of taxes in joint ventures and associated companies	**145**	-1,958	-1,241
Taxes	**-5,559**	-8,594	-9,557

RECONCILIATION OF ACTUAL INCOME TAX RATE TO THE SWEDISH INCOME TAX RATE:

	2008	2007	2006
Tax rate in Sweden	**-28.0%**	-28.0%	-28.0%
Effect of foreign tax rates	**0.1%**	0.2%	-0.4%
Current income taxes related to prior years	**1.0%**	-1.0%	-0.5%
Recognition/remeasurement of tax losses related to prior years	**-1.0%**	-0.7%	1.2%
Recognition/remeasurement of deductible temporary differences related to prior years	**0.4%**	1.5%	0.2%
Tax effect of non-deductible expenses	**-5.7%**	-2.6%	-3.7%
Tax effect of non-taxable income	**1.8%**	2.8%	4.5%
Tax effect of changes in tax rates	**-0.9%**	-0.2%	0.1%
Actual tax rate	**-32.3%**	-28.0%	-26.6%

DEFERRED TAX BALANCES

Tax effects of temporary differences and unutilized tax loss carryforwards are attributable as shown in the table below:

TAX EFFECTS OF TEMPORARY DIFFERENCES AND UNUTILIZED TAX LOSS CARRYFORWARDS

	2008			2007		
	Deferred tax assets	Deferred tax liabilities	Net balance	Deferred tax assets	Deferred tax liabilities	Net balance
Intangible assets and property, plant and equipment	**313**	**4,081**		438	4,044	
Current assets	**2,056**	**80**		1,878	14	
Post-employment benefits	**1,054**	**138**		1,121	100	
Provisions	**2,473**			1,693	5	
Equity	**2,941**			708	97	

Other	**3,743**	**897**[1)]		3,647	1,553	
Loss carryforwards	**4,736**			5,219		
Deferred tax assets/liabilities	**17,316**	**5,196**		14,704	5,813	
Netting of assets/liabilities	**-2,458**	**-2,458**		-3,014	-3,014	
Net deferred tax balances	**14,858**	**2,738**	**12,120**	11,690	2,799	8,891

1) Refer mainly to R&D credits and intellectual property rights

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CHANGE IN DEFERRED TAXES:

	2008	2007
Opening balance, net	**8,891**	13,182
Recognized in income statement	**-296**	-2,227
Recognized in equity	**2,330**	-73
Acquisitions/disposals of subsidiaries	**861**	-2,120
Translation differences	**334**	129
Closing balance, net	**12,120**	8,891

Tax effects reported directly in equity amount to SEK 2,330 million, of which hedge accounting SEK 1,399 million, and actuarial gains/ losses on pensions SEK 931 million.

Deferred tax assets are only recognized in countries where the Company expects to be able to generate corresponding taxable income in the future to benefit from tax reductions.

The significant tax loss carryforwards are related to countries with long or indefinite periods of utilization, mainly Sweden and the US. Of the total deferred tax assets for tax loss carryforwards, SEK 4,736 million, SEK 2,436 million relate to Sweden with indefinite time of utilization. With our strong current financial position and profitability during 2008, we have been able to utilize part of our tax loss carryforwards during the year, and we are convinced that Ericsson will be able to generate sufficient income in the coming years to utilize also remaining parts.

INVESTMENTS IN SUBSIDIARIES

Due to losses in certain subsidiary companies, the book value of certain investments in those subsidiaries are less than the tax value of these investments. Since deferred tax assets have been reported with respect also to losses in these companies, and due to the uncertainty as to which deductions can be realized in the future, no additional deferred tax assets are reported.

TAX LOSS CARRYFORWARDS

Deferred tax assets regarding tax loss carryforwards are reported to the extent that realization of the related tax benefit through future taxable profits is probable also when considering the period during which these can be utilized, as described below.

At December 31, 2008, these unutilized tax loss carryforwards amounted to SEK 16,327 (17,734) million. The tax effect of these tax loss carryforwards are reported as an asset. The final years in which these loss carryforwards can be utilized are shown in the following table:

Year of expiration	Tax loss carryforwards	Tax effect
2009	345	83
2010	199	33
2011	223	36
2012	173	32
2013	408	81
2014 or later	14,979	4,471

Total	**16,327**	**4,736**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

C9 EARNINGS PER SHARE

BASIC, EARNINGS PER SHARE

	2008	2007[1)]	2006[1)]
Net income attributable to stockholders of the Parent Company (SEK million)	**11,273**	21,836	26,251
Average number of shares outstanding, basic (millions)	**3,183**	3,178	3,174
Earnings per share, basic (SEK)	**3.54**	6.87	8.27

DILUTED, EARNINGS PER SHARE

	2008	2007[1)]	2006[1)]
Net income attributable to stockholders of the Parent Company (SEK million)	**11,273**	21,836	26,251
Average number of shares outstanding, basic (millions)	**3,183**	3,178	3,174
Dilutive effect for stock option plans	**1**	2	4
Dilutive effect for stock purchase plans	**18**	13	11
Average number of shares outstanding, diluted (millions)	**3,202**	3,193	3,189
Earnings per share, diluted (SEK)	**3.52**	6.84	8.23

1) A reverse split 1:5 was made in June 2008. Comparative figures are restated accordingly.

C10 INTANGIBLE ASSETS

	Capitalized development expenses					Intellectual property rights (IPR), trade-marks and other intangible assets		
2008	**To be marketed**	**Acquired costs for internal use**	**Internal costs for internal use**	**Total**	**Goodwill**	**IPR, trademarks and similar rights**	**Patents and acquired R&D**	**Total**
Accumulated acquisition costs								
Opening balance	12,478	1,640	1,096	**15,214**	**22,826**	10,372	19,758	**30,130**
Acquisitions/capitalization	1,107	181	121	**1,409**		20		**20**
Balances regarding divested/ acquired businesses					**30**	-172		**-172**
Sales/disposals	-8,067			**-8,067**	**-60**	-1,212[1)]	-31	**-1,243**
Reclassification[2)]					**-912**	-209		**-209**
Translation difference					**2,993**	630	723	**1,353**
Closing balance	**5,518**	**1,821**	**1,217**	**8,556**	**24,877**	**9,429**	**20,450**	**29,879**

Accumulated amortization								
Opening balance	-7,911	-1,562	-1,042	**-10,515**		-2,072	-4,086	**-6,158**
Amortization	-1,726			**-1,726**		-674	-2,606	**-3,280**
Sales/disposals	8,067			**8,067**		496	8	**504**
Translation difference						-175	-169	**-344**
Closing balance	**-1,570**	**-1,562**	**-1,042**	**-4,174**		**-2,425**	**-6,853**	**-9,278**
Accumulated impairment losses								
Opening balance	-974	-38	-26	**-1,038**			-14	**-14**
Impairment losses	-534[3)]	-17	-11	**-562**				
Closing balance	**-1,508**	**-55**	**-37**	**-1,600**			**-14**	**-14**
Net carrying value	**2,440**	**204**	**138**	**2,782**	**24,877**	**7,004**	**13,583**	**20,587**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1) Divestment of data centers in the UK.
2) Reclassification of deferred tax assets, goodwill and intangible assets due to finalized purchase price allocation. For more information, see Note C26, Business Combinations .
3) Part of the restructuring program.

The goodwill is allocated to the business segments Networks (SEK 15.3 billion), Professional Services (SEK 2.8 billion) and Multimedia (SEK 6.8 billion).

The recoverable amounts for cash-generating units are established as the present value of expected future cash flows. Estimation of future cash flows includes assumptions mainly for the following key financial parameters:

- sales growth,
- development of operating income (based on operating margin or cost of goods sold and operating expenses relative to sales),
- development of working capital and capital expenditure requirements.

The assumptions, approved by group management and each business segment s management, regarding revenue growth are based on industry sources and projections made within the Company for the development 2008-2013 for key industry parameters:

- the number of global mobile subscriptions is estimated to grow from 3.9 billion by the end of 2008 to approximately 6.5 billion.
- fixed and mobile broadband subscriptions from 0.6 billion to approximately 3 billion.
- mobile traffic volume as well as fixed Internet traffic and fixed IPTV traffic is estimated to increase approximately 10 times.

The demand for multimedia solutions is driven by the opportunities for new types of service offerings enabled by IP technology and high-speed broadband.

The demand for professional services is also driven by an increasing business and technology complexity. Therefore, operators review their business models and look for vendor partners that can take on a broader responsibility, including outsourcing of network operations.

The assumptions are also based upon information gathered in the Company s long-term strategy process, including assessments of new technology, the Company s competitive position and new types of business and customers, driven by the continued integration of telecom, data and media industries.

The impairment testing is based on specific estimates for the first five years and with a reduction of nominal annual growth rate to an average GDP growth of 3 percent per year thereafter. The impairment test for goodwill did not result in any impairment.

A number of sensitivity tests have been made, for example applying lower levels of revenue and operating income. Also when applying these estimates no goodwill impairment is indicated.

As per year end 2008, the market capitalization of the Company well exceeded the value of net assets of the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

An after-tax discount rate of 12 percent has been applied for the discounting of projected after-tax cash flows.

The application of one rate is made due to that differences in risks between the cash generating units have been considered in the estimated cash flows.

In Note C1, Significant Accounting Policies and Note C2, Critical Accounting Estimates and Judgments , further disclosures are given regarding goodwill impairment testing.

	Capitalized development expenses					Intellectual property rights (IPR), trade-marks and other intangible assets		
2007	**To be marketed**	**Acquired costs for internal use**	**Internal costs for internal use**	**Total**	**Goodwill**	**IPR, trademarks and similar rights**	**Patents and acquired R&D**	**Total**
Accumulated acquisition costs								
Opening balance	12,388	1,602	1,070	**15,060**	**6,824**	5,317	13,479	**18,796**
Acquisitions/capitalization	989	38	26	**1,053**		178	63	**241**
Balances regarding divested/acquired businesses					**16,917**	5,132[1)]	6,495[1)]	**11,627**
Sales/disposals	-899			**-899**	**-1**	-57	-1	**-58**
Translation difference					**-914**	-198	-278	**-476**
Closing balance	**12,478**	**1,640**	**1,096**	**15,214**	**22,826**	**10,372**	**19,758**	**30,130**
Accumulated amortization								
Opening balance	-6,439	-1,562	-1,042	**-9,043**		-1,180	-1,953	**-3,133**
Amortization	-2,371			**-2,371**		-913	-2,149	**-3,062**
Sales/disposals	899			**899**		41		**41**
Translation difference						-20	16	**-4**
Closing balance	**-7,911**	**-1,562**	**-1,042**	**-10,515**		**-2,072**	**-4,086**	**-6,158**
Accumulated impairment losses								
Opening balance	-958	-38	-26	**-1,022**			-14	**-14**
Impairment losses	-16			**-16**				
Closing balance	**-974**	**-38**	**-26**	**-1,038**			**-14**	**-14**
Net carrying value	**3,593**	**40**	**28**	**3,661**	**22,826**	**8,300**	**15,658**	**23,958**

1) During 2007, Ericsson acquired Redback, Tandberg and LHS. The acquisitions consist of IPR, SEK 6.4 billion, trademarks and customer relationships, SEK 4.8 billion and goodwill, SEK 16 billion. The amortization period related to the intellectual property rights, trademarks and other intangible assets from Redback, Tandberg and LHS is between five and ten years.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

C11 PROPERTY, PLANT AND EQUIPMENT

2008	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in process and advance payments	Total
Accumulated acquisition costs					
Opening balance	4,611	5,697	16,672	675	**27,655**
Additions	210	805	1,729	1,389	**4,133**
Balances regarding divested/acquired businesses		-5	-21		**-26**
Sales/disposals	-1,208	-775	-2,835	-33	**-4,851**
Reclassifications	21	-50	1,284	-1,255	
Translation difference	420	459	1,229	19	**2,127**
Closing balance	**4,054**	**6,131**	**18,058**	**795**	**29,038**
Accumulated depreciation					
Opening balance	-1,470	-4,013	-12,485		**-17,968**
Depreciation	-241	-865	-2,002		**-3,108**
Balances regarding divested businesses		5	18		**23**
Sales/disposals	308	875	2,407		**3,590**
Reclassifications	-1	55	-54		
Translation difference	-141	-268	-851		**-1,260**
Closing balance	**-1,545**	**-4,211**	**-12,967**		**-18,723**
Accumulated impairment losses, net					
Opening balance	-117	-118	-148		**-383**
Impairment losses		-4			**-4**
Reversals of impairment losses			7		**7**
Sales/disposals	78				**78**
Translation difference	-8	-3	-7		**-18**
Closing balance	**-47**	**-125**	**-148**		**-320**
Net carrying value	**2,462**	**1,795**	**4,943**	**795**	**9,995**

Contractual commitments for the acquisition of property, plant and equipment as per December 31, 2008, amounted to SEK 229 (176) million.

The reversal of impairment losses have been reported under Cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2007	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in process and advance payments	Total
Accumulated acquisition costs					
Opening balance	4,551	5,005	15,135	457	**25,148**
Additions	471	617	2,111	1,120	**4,319**
Balances regarding divested/acquired businesses	10	170	104		**284**
Sales/disposals	-200	-311	-1,795	-77	**-2,383**
Reclassifications	-186	135	864	-813	
Translation difference	-35	81	253	-12	**287**
Closing balance	**4,611**	**5,697**	**16,672**	**675**	**27,655**
Accumulated depreciation					
Opening balance	-1,212	-3,679	-11,738		**-16,629**
Depreciation	-246	-573	-2,302		**-3,121**
Balances regarding divested businesses	4	7	17		**28**
Sales/disposals	14	294	1,759		**2,067**
Reclassifications		-8	8		
Translation difference	-30	-54	-229		**-313**
Closing balance	**-1,470**	**-4,013**	**-12,485**		**-17,968**
Accumulated impairment losses, net					
Opening balance	-306	-154	-178		**-638**
Impairment losses	-84		-6		**-90**
Reversals of impairment losses	263	9	25		**297**
Sales/disposals	1	27	10		**38**
Translation difference	9		1		**10**
Closing balance	**-117**	**-118**	**-148**		**-383**
Net carrying value	**3,024**	**1,566**	**4,039**	**675**	**9,304**

C12 FINANCIAL ASSETS, NON-CURRENT

EQUITY IN JOINT VENTURES AND ASSOCIATED COMPANIES

	Joint ventures		Associated companies		Total	
	2008	2007	2008	2007	2008	2007
Opening balance	**9,549**	8,041	**1,354**	1,368	**10,903**	9,409
Share in earnings	**-503**	7,108	**67**	124	**-436**	7,232
Taxes	**151**	-1,957	**-6**	-1	**145**	-1,958
Translation difference	**1,084**	304	**130**	55	**1,214**	359
Change in hedge reserve	**36**	4			**36**	4
Pensions	**4**	-2			**4**	-2

Dividends	**-3,627**	-3,949	**-236**	-273	**-3,863**	-4,222
Capital contribution			**46**	103	**46**	103
Stock Purchase and Stock Option Plans				-19		-19
Reclassification			**-1**		**-1**	
Disposals			**-60**	-3	**-60**	-3
Closing balance	**6,694**	9,549	**1,294** 1)	1,354 1)	**7,988**	10,903

1) Goodwill, net, amounts to SEK 16 million (SEK 19 million in 2007).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ERICSSON S SHARE OF ASSETS, LIABILITIES AND INCOME IN JOINT VENTURE SONY ERICSSON MOBILE COMMUNICATIONS

	2008	2007
Non-current assets	**3,228**	2,701
Current assets	**21,190**	22,714
Non-current liabilities	**157**	121
Current liabilities	**17,593**	15,745
Net assets	**6,668**	9,549
Net sales	**54,377**	59,700
Income after financial items	**-400**	7,276
Income taxes	**151**	-1,957
Net income	**-249**	5,319
Net income attributable to:		
Stockholders of the Parent Company	**-353**	5,151
Minority interest	**104**	168
Assets pledged as collateral		
Contingent liabilities	**20**	12

Both these companies apply IFRS in the reporting to Ericsson.

ERICSSON S SHARE OF ASSETS, LIABILITIES AND INCOME IN ASSOCIATED COMPANY ERICSSON NIKOLA TESLA D.D.

	2008	2007
Non-current assets	**394**	363
Current assets	**695**	728
Non-current liabilities	**6**	1
Current liabilities	**253**	263
Net assets	**830**	827
Net sales	**1,182**	1,100
Income after financial items	**139**	124
Income taxes	**-5**	-1
Net income	**134**	123
Net income attributable to:		
Stockholders of the Parent Company	**134**	123
Minority interest		
Assets pledged as collateral	**5**	5

Contingent liabilities	**172**	64

1) Ericsson s share is 49.07 percent.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

OTHER FINANCIAL ASSETS, NON-CURRENT

	Other investments in shares and participations		Customer finance, non-current		Derivatives, non-current		Other financial assets, non-current	
	2008	2007	2008	2007	2008	2007	2008	2007
Accumulated acquisition costs								
Opening balance	**2,019**	1,999	**1,221**	2,270	**96**	116	**4,092**	3,447
Additions	**3**		**623**	892			**292**	175
Business combinations								166
Disposals/repayments/deductions	**-469**		**-761**	-1,940			**-713**	-245
Change in value in funded pension plans[1)]							**-307**	447
Reclassifications								
Revaluation					**2,718**	-20		
Translation difference	**37**	20	**-1**	-1			**193**	102
Closing balance	**1,590**	2,019	**1,082**	1,221	**2,814**	96	**3,557**	4,092
Accumulated impairment losses/allowances								
Opening balance	**-1,281**	-1,278	**-209**	-349			**-1,270**	-1,154
Impairment losses/allowance		2	**-48**	41			**-14**	-58
Business combinations								
Disposals/repayments/deductions			**21**	98				
Reclassifications								
Translation difference		-5		1			**-170**	-58
Closing balance		-1,281	**-236**	-209			**-1,454**	-1,270
Net carrying value	**309**[2)]	738	**846**	1,012	**2,814**	96	**2,103**	2,822

1) For further information, see Note C17, Post-employment benefits .
2) Fair value per December 31, 2008, for listed shares was SEK 0 (11) million with a net carrying value of SEK 0 (11) million.

C13 INVENTORIES

	2008	2007
Raw materials, components, consumables and manufacturing work in progress	**7,413**	7,476
Finished products and goods for resale	**7,616**	5,338
Contract work in progress	**12,807**	10,338
Less advances from customers[1)]		-677
Inventories, net	**27,836**	22,475

1) Effective from this annual report, advances from customers are presented under Note C21, Other current liabilities .

Contract work in progress includes amounts related to delivery-type contracts, service contracts and construction-type contracts with ongoing work in progress.

Reported amounts are net of obsolescence allowances of SEK 3,493 (2,752) million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

MOVEMENTS IN OBSOLESCENCE ALLOWANCES

	2008	2007	2006
Opening balance	**2,752**	2,578	2,519
Additions, net	**1,553**	1,276	857
Utilization	**-1,039**	-1,114	-693
Translation difference	**250**	17	-81
Balances regarding acquired/divested businesses	**-23**	-5	-24
Closing balance	**3,493**	2,752	2,578

The amount of inventories recognized as an expense and included in Cost of sales was SEK 58,155 (52,864) million.

CONSTRUCTION-TYPE CONTRACTS IN PROGRESS

	2008	2007
For construction-type contracts in progress:		
Aggregate amounts of costs incurred	**2,156**	9,599
Aggregate amount of recognized profits (less recognized losses)	**971**	2,007
Gross amount due from customers[1)]	**204**	733
Gross amount due to customers[2)]	**406**	1,643

1) For all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceeds progress billings.
2) For all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

The aggregate amounts of costs incurred relate to all construction-type contracts that were not finalized as per December 31, 2008, and include all costs incurred since the start of these projects, including any costs incurred prior to January 1, 2008. Net sales for construction-type contracts for 2008 amount to SEK 2,488 (7,121) million, see Note C4, Net Sales .

C14 TRADE RECEIVABLES AND CUSTOMER FINANCE

	2008	2007
Trade receivables excluding associated companies and joint ventures	**76,827**	60,669
Allowances for impairment	**-1,471**	-1,351
Trade receivables, net	**75,356**	59,318
Trade receivables related to associated companies and joint ventures	**535**	1,174
Trade receivables, total	**75,891**	60,492
Customer finance	**3,147**	3,649
Allowances for impairment	**-326**	-275

Customer finance, net	**2,821**	3,374
Of which short term	***1,975***	*2,362*
Credit commitments for customer finance	**3,811**	4,185

Days Sales Outstanding were 106 (102) in December, 2008.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

MOVEMENTS IN ALLOWANCES FOR IMPAIRMENT

	Trade receivables			Customer finance		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
Opening balance	**1,351**	1,372	1,382	**275**	418	1,755
Additions	**651**	564	686	**90**	49	79
Utilization	**-492**	-554	-139	**-3**	-43	-284
Reversal of excess amounts	**-81**	-137	-527	**-74**	-141	-1,082
Reclassification	**-69**	56	56			-5
Translation difference	**115**	50	-86	**38**	-8	-45
Balances regarding acquired/divested business	**-4**					
Closing balance	**1,471**	1,351	1,372	**326**	275	418

AGING ANALYSIS AS PER DECEMBER 31, 2008

	Amount	Of which neither impaired nor past due	Of which impaired, not past due	Of which past due in the following time intervals		Of which past due and impaired in the following time intervals	
				less than 90 days	90 days or more	less than 90 days	90 days or more
Trade receivables excluding associated companies and joint ventures	76,827	67,482	157	4,003	2,711	844	1,630
Allowances for impairment of receivables	-1,471		-121			-362	-988
Customer finance	3,147	2,530	347	5	27	47	191
Allowances for impairment of customer finance	-326		-97			-38	-191

AGING ANALYSIS AS PER DECEMBER 31, 2007

	Amount	Of which neither impaired nor past due	Of which impaired, not past due	Of which past due in the following time intervals		Of which past due and impaired in the following time intervals	
				less than 90 days	90 days or more	less than 90 days	90 days or more
Trade receivables excluding associated companies and joint ventures	60,669	52,560		3,723	1,577	773	2,036
Allowances for impairment of receivables	-1,351					-422	-929
Customer finance	3,649	2,476	305	410	293	1	164
Allowances for impairment of customer finance	-275		-110			-1	-164

CREDIT RISK

Credit risk is divided into three categories: credit risk in trade receivables, customer finance risk and financial credit risk (see C20).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Credit risk in trade receivables

Credit risk in trade receivables is governed by a policy applicable for all legal entities in Ericsson. The purpose of the policy is to:

- Avoid credit losses through establishing internal standard credit approval routines in all Ericsson legal entities.
- Ensure monitoring and risk mitigation of defaulting accounts, i.e. events of non-payment and/or delayed payments from customers.
- Ensure efficient credit management within the Group and thereby improve Days Sales Outstanding and Cash Flow.
- Ensure payment terms are commercially justifiable.
- Define escalation path and approval process for payment terms and customer credit limits.

The credit worthiness of all customers is regularly assessed and a credit limit is set. Through credit management system functionality, credit checks are performed every time a sales order or an invoice is generated in the source system based upon the credit risk set on the customer. Credit blocks appear if credit limit set on customer is exceeded or if past due receivables are higher than permitted levels. Release of credit block requires authorization.

Letters of credits are used as a method for securing payments from customers operating in emerging markets, in particular in markets with unstable political and/or economic environment. By having banks confirming the letters of credit, the political and commercial credit risk exposures to Ericsson are mitigated.

Trade receivables amounted to SEK 76,827 (60,669) million as of December 31, 2008. Provisions for expected losses are regularly assessed and amounted to SEK 1,471 (1,351) million as of December 31, 2008. Ericsson s nominal credit losses have, however, historically been low. The amounts of trade receivables follow closely the distribution of Ericsson s sales and do not include any major concentrations of credit risk by customer or by geography. The top 5 largest customers represent 27 percent of the total trade receivables.

Customer finance credit risk

All major customer finance commitments are subject to approval by the Finance Committee of the Board of Directors according to a credit approval policy.

Prior to the approval of new facilities reported as customer finance, an internal credit risk assessment is conducted in order to assess the credit rating (for political and commerical risk) of each transaction. The credit risk analysis is made by using an assessement tool, where the political risk rating is identical to the rating used by all Export Credit Agencies within the OECD. The commercial risk is assessed by analyzing a large number of parameters, which may affect the level of the future commercial risk exposure. The output from the assessement tool for the credit rating is also a pricing of the risk, expressed as a risk margin per annum over funding cost. The reference pricing for political risk and commercial risk, on which the tool is based, is reviewed using information from Export Credit Agencies and prevailing pricing in the bank loan market for structured financed deals. The objective is that the internally set risk margin shall reflect the assessed risk and that the pricing is as close as possible to the current market pricing. A reassessment of the credit rating for each customer finance facility is made on a regular basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Risk provisions related to customer finance risk exposures are only made upon events occuring after the financing arrangement has become effective, which are expected to have a significant adverse impact on the borrower s ability and/or willingness to service the outstanding debt. These events can be political (normally outside the control of the borrower) or commercial, e.g. a borrower s deteriorating creditworthiness.

As of December 31, 2008, Ericsson s total outstanding exposure related to customer finance was SEK 3,147 (3,649) million. As of that date, Ericsson also had unutilized customer finance commitments of SEK 3,811 (4,185) million. Customer finance is arranged for infrastructure projects in different geographic markets and to a large number of customers. As of December 31, 2008, there were a total of 69 (75) customer finance arrangements originated by or guaranteed by Ericsson. The five largest facilities represented 44 (48) percent of the total credit exposure.

Of Ericsson s total outstanding customer finance exposure as of December 31, 2008, 58 (47) percent were related to Central and Eastern Europe, Middle East & Africa, 20 (23) percent to Latin America, 18 (14) percent to Western Europe, 2 (14) percent to Asia Pacific and 2 (2) percent to North America.

The effect of risk provisions and reversals for customer finance affecting the income statement amounted to a net negative impact of SEK 16 million in 2008 compared to a positive impact of SEK 92 million in 2007. Credit losses incurred were SEK 3 (43) million.

Security arrangements for customer finance facilities normally include pledges of equipment, pledges of certain of the borrower s assets and pledges of shares in the operating company.

Restructuring efforts for cases of troubled debt may lead to temporary holdings of equity interests. If available, third-party risk coverage may also be arranged. Third-party risk coverage means that a financial payment guarantee covering the credit risk has been issued by a bank, an export credit agency or other financial institution. It may also be a credit risk transfer under a so called sub participation arrangement with a bank, whereby the credit risk and the funding is taken care of by the bank for the part covered by the bank. A credit risk cover from a third party may also be issued by an insurance company. During 2008, Ericsson has not taken possession of any collateral it holds as security or called on any other credit enhancements.

The table below summarizes Ericsson s outstanding customer finance as of December 31, 2008 and 2007.

OUTSTANDING CUSTOMER FINANCE

	2008	2007
Total customer finance	**3,147**	3,649
Accrued interest	**81**	63
Less third-party risk coverage	**-162**	-511
Ericsson s risk exposure	**3,066**	3,201

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

C15 OTHER CURRENT RECEIVABLES

	2008	2007
Prepaid expenses	**3,134**	2,527
Accrued revenues	**1,885**	1,661
Advance payments to suppliers	**1,278**	679
Derivatives with a positive value	**2,796**	1,530
Taxes	**4,130**	4,610
Other	**4,595**	4,055
Total	**17,818**	15,062

C16 EQUITY

Capital stock 2008

Capital stock at December 31, 2008, consisted of the following:

Parent Company	Number of shares	Capital stock
Class A shares	261,755,983	1,309
Class B shares	2,984,595,752	14,923
Total	**3,246,351,735**	16,232

The capital stock of the Company is divided into two classes: Class A shares (quota value SEK 5.00) and Class B shares (quota value SEK 5.00). 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 tenth of one vote per share.

At December 31, 2008, the total number of treasury shares was 61,066,097 (46,398,309[1)] in 2007 and 50,202,778[1)] in 2006) Class B shares. There were 19,900,000 shares repurchased by Ericsson in 2008, due to delivery and sale of shares in relation to the Stock Purchase Plans and the Stock Option Plans.

RECONCILIATION OF NUMBER OF SHARES

	Number of shares	Capital stock
Number of shares Jan 1, 2008	3,226,452,736[1)]	16,132
Number of shares Dec 31, 2008	3,246,351,735	16,232

1)

The Annual Meeting on April 9, 2008, decided on a reverse split 1:5 of the Company s shares. The reverse split has the effect that five shares of Class A and five shares of Class B, respectively, are consolidated into one share of Class A and one share of Class B, respectively. Numbers of shares and earnings per share for comparison periods have been restated accordingly.

Dividend proposal

The Board of Directors will propose to the Annual General Meeting 2009 a dividend of SEK 1.85 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Additional paid in capital

Relates to payments made by owners and includes share premiums paid.

Revaluation of other investments in shares and participations

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

Cash flow hedges

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash-flow-hedging instruments related to hedged transactions that have not yet occurred.

Cumulative translation adjustments

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, changes regarding revaluation of goodwill in local currency as well as from the translation of liabilities that hedge the Company s net investment in foreign subsidiaries.

Retained earnings

Retained earnings, including net income for the year, comprise the earned profits of the Parent Company and its share of net income in subsidiaries, joint ventures and associated companies.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2008	Capital stock	Additional paid in capital	Revaluation of other investments in shares and participations	Cash flow hedges	Cumulative translation adjustments	Retained earnings	Stock-holders equity	Minority interests	Total equity
January 1, 2008	**16,132**	**24,731**	**5**	**307**	**-6,345**	**99,282**	**134,112**	**940**	**135,052**
Actuarial gains and losses related to pensions									
Group						-4,019	**-4,019**		**-4,019**
Joint ventures and associates						4	**4**		**4**
Revaluation of other investments in shares and participations									
Fair value measurement reported in equity									
Group			-6				**-6**		**-6**
Joint ventures and associates			-1				**-1**		**-1**
Cash flow hedges									
Fair value remeasurement of derivatives reported in equity									
Group				-5,116			**-5,116**		**-5,116**
Joint ventures and associates				36			**36**		**36**
Transferred to income statement for the period				1,192[1)]			**1,192**		**1,192**
Changes in cumulative translation adjustments									
Group					7,081[2)]		**7,081**	233	**7,314**
Joint ventures and associates					1,214		**1,214**		**1,214**
Tax on items reported directly in/or transferred from equity			1	1,225	174[3)]	930	**2,330**		**2,330**
Total transactions reported directly in equity			**-6**	**-2,663**	**8,469**	**-3,085**	**2,715**	**233**	**2,948**
Net income									
Group						11,564	**11,564**	394	**11,958**
Joint ventures and associates						-291	**-291**		**-291**
Total income and expenses recognized for the period			**-6**	**-2,663**	**8,469**	**8,188**	**13,988**	**627**	**14,615**
Stock issue	100						**100**		**100**
Sale of own shares						88	**88**		**88**
Repurchase of own shares						-100	**-100**		**-100**
Stock Purchase and Stock Option Plans									
Group						589	**589**		**589**
Joint ventures and associates									
Dividends paid						-7,954	**-7,954**	-286	**-8,240**
Business combinations								-20	**-20**
December 31, 2008	**16,232**	**24,731**	**-1**	**-2,356**	**2,124**	**100,093**	**140,823**	**1,261**	**142,084**

1) SEK 416 million is recognized in Net Sales and SEK 776 million is recognized in Cost of Sales.
2) Changes in cumulative translation adjustments include changes regarding revaluation of goodwill in local currency of SEK 2,993 million (SEK-914 million in 2007, SEK-701 million in 2006), gain/loss from hedging activities of foreign entities, SEK-660 million (SEK-52 in 2007, SEK 123 million in 2006) and SEK 13 million (SEK-70 million in 2007, SEK-1 million in 2006) of realized gain/losses net from sold/liquidated companies.
3) Deferred tax on gains/losses on hedges on investments in foreign entities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2007	Capital stock	Additional paid in capital	Revaluation of other investments in shares and participations	Cash flow hedges	Cumulative translation adjustments	Retained earnings	Stock holders equity	Minority interests	Total equity
January 1, 2007	**16,132**	**24,731**	**3**	**877**	**-5,569**	**83,939**	**120,113**	**782**	**120,895**
Actuarial gains and losses related to pensions									
Group						1,210	**1,210**		**1,210**
Joint ventures and associates						-2	**-2**		**-2**
Revaluation of other investments in shares and participations									
Fair value measurement reported in equity			2				**2**		**2**
Cash flow hedges									