INFORMATION ON THE COMPANY

History and development

Our origins date back to 1876 when Lars Magnus Ericsson opened a small workshop in Stockholm to repair telegraph instruments. That same year in the United States, Alexander Graham Bell filed a patent application for the telephone. Lars Magnus Ericsson soon recognized the great potential of voice-based telecommunications and realized that the technology could be improved. He started to develop and sell his own telephone equipment and within a few years reached an agreement to supply telephones and switchboards to Sweden's first telecom operator. Stockholm soon had the highest telephone density in the world.

Today, Ericsson is a leading provider of telecommunications equipment and related services to operators of mobile and fixed networks worldwide. Over 1,000 networks in more than 175 countries utilize our network equipment and we are one of the few companies worldwide that can offer end-to-end solutions for all major mobile communication standards.

We invest heavily in R&D and actively promote standardization and open systems. As a result, we have a long history of innovation and pioneering of future technologies for more efficient and higher quality telecommunications.

Also reflecting our ongoing commitment to technology leadership, we have one of the industry's most comprehensive intellectual property portfolios containing approximately 22,000 patents.

Technical milestones

1878 Telegraph to telephone
1923 Manual switching to automatic switching
1956 First mobile phone system
1968 Electro-mechanical to computer control

GENERAL FACTS ON THE COMPANY

Legal name: Telefonaktiebolaget LM Ericsson (publ)

Organization number: 556016-0680

Legal form of the Company: A Swedish limited liability company organized under the Swedish Companies Act. The terms "Ericsson", "the Company", "the Group", "us", "we", "our" all refer to Telefonaktiebolaget LM Ericsson and its subsidiaries.

Country of incorporation: Sweden. The Company was incorporated on August 18, 1918, as a result of a merger between AB LM Ericsson & Co. and Stockholms Allmänna Telefon AB.

Domicile: Our registered address is Telefonaktiebolaget LM Ericsson, SE–164 83 Stockholm, Sweden. Our headquarter is located at Torshamnsgatan 23, Kista, Sweden.
Our telephone number is +46 8 719 0000.
Our web site is www.ericsson.com. Please note that information on our web site does not form part of this document.

Agent in the US: Ericsson Inc., Vice President Legal Affairs, 6300 Legacy Drive, Plano, Texas 75024. Telephone number +1 972 583 0000.

Shares: Our Class A and B shares are traded on Stockholmsbörsen (the Stockholm Stock Exchange). Our Class B shares are also traded on the London Stock Exchange (LSE).
In the United States, our American depository shares (ADS), each representing 10 underlying Class B shares, are traded on NASDAQ.

Parent Company operations: The business of the Parent Company, Telefonaktiebolaget LM Ericsson, consists mainly of corporate management, holding company functions and internal banking activities. Parent Company operations

1978 Analog switching to digital switching
1981 Fixed communications to mobile communications
1991 1G analog to 2G digital mobile technology
1998 Integration of voice and data in mobile networks
1999 Narrowband circuit to broadband packet switching
1999 Introduction of fixed telephony softswitch
2001 2G narrowband to 3G wideband mobile technology
2003 Introduction of mobile softswitch
2004 Mass commercial launch of WCDMA (3G) networks in Western Europe
2005 Commercial launch of HSDPA mobile broadband networks in North America
2006 Global commercial launches of HSPA mobile broadband networks

Our vision – how we see the world

Our vision is to be the Prime Driver in an all-communicating world

Core values – how we act

Professionalism, Respect and Perseverance are the cornerstones of the Ericsson culture, guiding us in our daily work, both in how we relate to people and how we conduct our business.

Results – how we measure our performance

We measure three fundamental metrics: customer satisfaction, employee satisfaction and financial returns for our owners. We believe that highly satisfied customers, empowered employees and best-in-class operating margins help to assure a competitive advantage and an enduring capability for value creation.

also include customer credit management activities performed by Ericsson Credit AB.

Subsidiaries and associated companies: For a listing of our significant subsidiaries, please see Notes to the Parent Company Financial Statements – Note P9 “Investments”. In addition to our joint venture with SONY Corporation, we are engaged in a number of other minor joint ventures, cooperative arrangements and venture capital initiatives. For more information regarding risks associated with joint ventures, strategic alliances and third party agreements, please see “Risk Factors – Strategic and Operational Risks”.

Documents on display: We file annual reports and other information (normally in Swedish only) for certain domestic legal entities with Bolagsverket (Swedish Companies Registration Office) pursuant to Swedish rules and regulations.

You may order any of these reports from their web site www.bolagsverket.se. If you access these reports, please be aware that the information included may not be indicative of our published consolidated results in all aspects. Other than information related to the Parent Company, only consolidated numbers for the Group totals are included in our reports.

We also file annual reports and other information with the Securities and Exchange Commission (SEC) in the United States pursuant to the rules and regulations that apply to foreign private issuers. Electronic access to these documents may be obtained from the SEC’s website www.sec.gov/edgar/searchedgar/webusers.htm where they are stored in the EDGAR database. You may read and copy any of these reports at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, or obtain them by mail upon payment of SEC’s prescribed rates. For further information, you can call the SEC at +1 800 732 0330.

Business strategy and long-term goals

Our ultimate goal is for the Company to generate growth and a competitive profit that is sustainable over the longer term. Ericsson's strategy is to be the preferred business partner to our customers, especially to the world's leading network operators. In doing so, we strive to be the market and technology leader by offering superior end-to-end solutions mainly related to network infrastructure, network management and other service offerings.

We are a major supplier to most of the world's leading mobile network operators and many of the world's leading fixed-line operators. We believe that our ability to offer end-to-end solutions – systems, applications, services and core handset technology – together with our in-depth knowledge of consumer requirements, make us well positioned to assist network operators with their network development and operations. We are already a market leader in network systems integration and managed services. Through increased activities in professional services, service layer products and multimedia, we aim for increased sales in these growing segments.

Our strategy is to:

- excel in network infrastructure;
- expand in service;
- establish a position in multimedia solutions

in order to make people's lives easier and richer, provide affordable communication for all and enable new ways for companies to do business. This is performed with operational excellence in everything we do as a base.

Innovation is an important element of our corporate culture and is key to our competitiveness and future success. We have a long tradition of developing innovative communication technologies, including technologies that form the base for industry standards. For example, we helped pioneer the development of industry-wide mobile technologies such as GSM, GPRS, EDGE, CDMA, WCDMA, HSPA, and Bluetooth.

We work closely with our customers to understand their businesses and technology needs and provide tailored solutions to help them fulfill their business objectives.

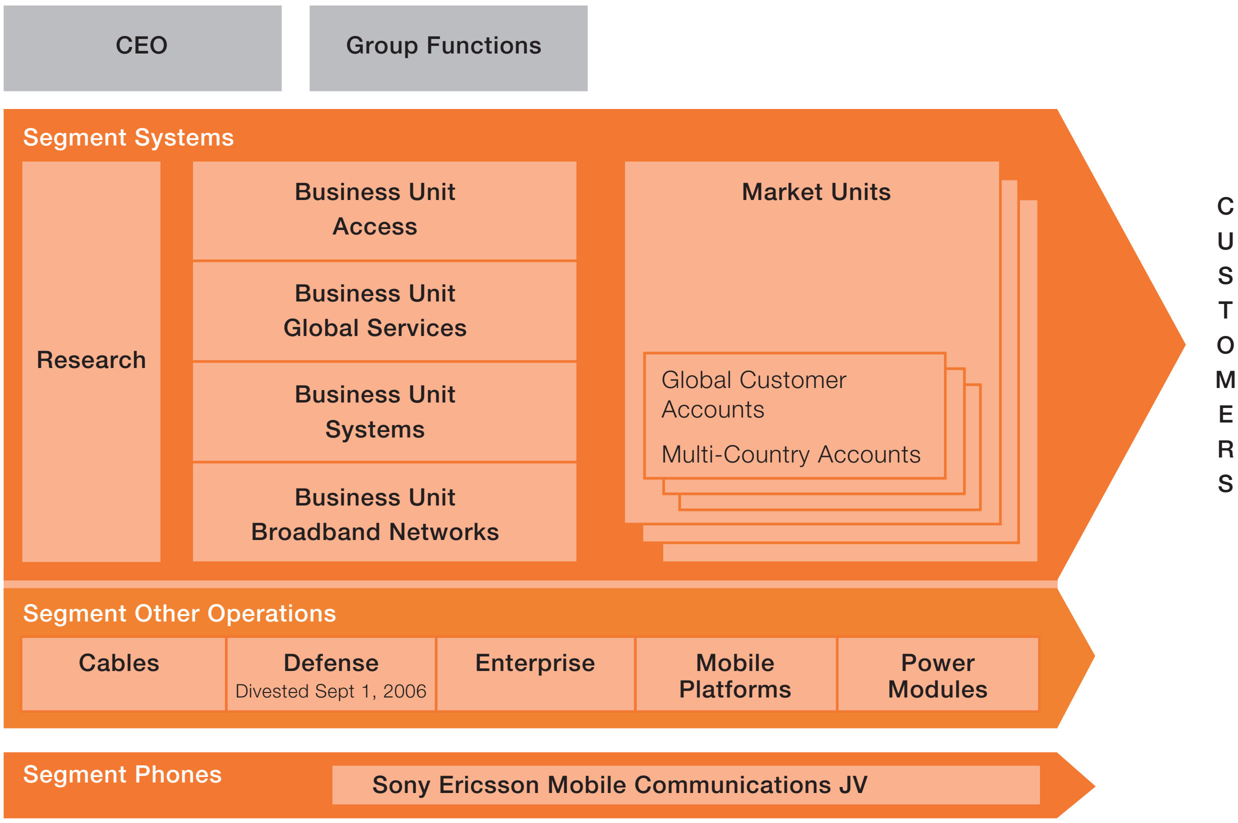
We will continue to devote significant resources to develop end-to-end communications solutions that will stimulate network deployments for geographic coverage as well as traffic capacity and thereby drive demand for our products and services.

Our expertise and experience in all major telecommunication standards along with our proven track record for quality and innovation have allowed us to develop our business on a worldwide basis.

We believe that our widespread geographical presence and the economies of scale associated with market share leadership give us competitive advantages. Global presence is an important factor, particularly when working as a business partner to operators working in multiple markets or globally. We are utilizing our strong international reach and core competence in mobile and fixed communications to expand into growth areas such as systems integration, service applications and managed services, as well as to develop alliances with suppliers and manufacturers in many countries in order to increase our combined effectiveness.

We will continue to improve our internal processes and support systems to drive operational excellence as a competitive advantage. In addition, we will continue to develop and maintain high levels of competence in our employees to secure our leading market position and to stay at the forefront of technological development.

ERICSSON'S ORGANIZATION



Organization

Governance

A significant amount of authority and responsibility is assigned to the management of our various operating units for tasks pertaining to daily operations. Governance of our operating units is carried out through steering boards whose members are representatives of the Group Management Team, the Extended Management Team and the management of the particular operating unit.

For more information regarding our corporate governance, please see the Corporate Governance Report or visit our web site www.ericsson.com/ericsson/corpinfo/corp_governance/index.shtml.

Information on our web site does not form part of this document.

Group Functions

A number of Group Functions perform tasks pertaining to certain group-wide matters that are not naturally referable to a specific operational unit: Communications, Finance, Human Resources and Organization, Legal Affairs, Operational Excellence, Research & Development, Sales & Marketing and Strategy & Product Management.

Their responsibilities include the formulation of the Group's strategy, issuing of policies and directives, business control and resource allocation. In addition, Group Functions are responsible for the consolidation and reporting of financial performance, financing and cash management, legal issues, communication with various stakeholders including employees, investors, press and media as well as coordination and administration of a number of group-wide issues. Other important group-wide matters, such as Corporate Responsibility, are managed by Group Functions in conjunction with a network of experts from various parts of the Company.

Business segments

We supply the network equipment and services that enable telecommunications. We offer end-to-end solutions for all major mobile communication standards. We also provide our customers with services for network system integration, managed services and other professional services. Through our Sony Ericsson Mobile Communications joint venture we offer a range of mobile handsets and other mobile devices, including those supporting multimedia applications and other personal communication services. In addition, the Company has products for special applications within mobile platforms, enterprise systems, cables and power modules.

Primary Segments

Ericsson is a telecommunications company developing and selling a variety of products aimed largely at customers in the telecommunications industry. When determining our operating segments, we have looked at which market and to what type of customers our products and services are aimed, and through what distribution channels they are sold as well as to commonality regarding technology, research and development. To best reflect our business focus and to facilitate comparability with our peers, we consolidate the results of our operations into three business segments:

- Systems, consisting of a three-pronged business approach: Mobile Networks, Fixed Networks and Professional Services;
- Phones, carried out through the 50/50 joint venture with SONY Corporation;
- Other Operations, which comprise a number of smaller businesses, including Mobile Platforms, Enterprise Systems, Cables, Power Modules and the Defense business (Divested to Saab AB September 1, 2006).

Secondary segments

We group sales into five geographical segments as shown below:

2006 SALES BY REGION AND SEGMENT

SEK billion	Systems	Other Operations	Total
Western Europe	45.4	6.5	**51.9**
CEMA [1]	48.7	1.6	**50.3**
Asia Pacific	42.0	1.2	**43.2**
North America	15.3	0.6	**15.9**
Latin America	16.2	0.2	**16.5**
Total	**167.6**	**10.2**	**177.8**
percent share	94%	6%	**100%**

[1] Central and Eastern Europe, Middle East and Africa.
Note: due to rounding, all rows and columns may not add up exactly to the totals.

Please also see "Notes to the Consolidated Financial Statements – Note C3, Segment Information."

Seasonality

Our quarterly sales, income and cash flows from operations are seasonal in nature and generally lower in the first and third quarters of the year and highest in the fourth quarter. This is mainly a result of the seasonal purchase patterns of network operators. Although demonstrating a strong seasonal pattern historically, our seasonal sales variances have not conformed to the longer-term pattern during the market downturn starting in 2001 and subsequent recovery during 2004. The table below illustrates the long-term average seasonal effect on sales for the period 1992 through 2006.

15-YEAR AVERAGE SEASONALITY

	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential Change	–27%	17%	–4%	36%
Share of annual sales	21%	24%	24%	31%

Compared to the 15-year historical pattern, the seasonality over the last three years has generally been less pronounced with a more equal distribution of sales between quarters. The table below illustrates the average seasonal effect on sales for the years 2004, 2005 and 2006.

MOST RECENT 3-YEAR AVERAGE SEASONALITY

	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential Change	–19%	17%	–5%	27%
Share of annual sales	21%	25%	24%	30%

Segment Systems

Mobile Networks

We provide mobile systems solutions to network operators that enable reliable, efficient and cost effective mobile networks. Our systems offerings include radio base stations, base station and radio network controllers, mobile switching centers and application nodes. We are the market leader with approximately 35 percent global share of the addressable GSM/WCDMA track within the global mobile systems market, i.e. open non-proprietary standards. Our claim of market leadership in mobile systems is based on our reported sales and how they relate to the publicly reported and estimated mobile system sales of our main competitors. Statements from industry and financial analysts also support our estimates.

Each generation of mobile technology is associated with a group of international standards for mobile communications networks. Transitioning from one technology generation to the next, such as from 2G to 3G, requires network operators, equipment suppliers and mobile handset manufacturers to adopt new and emerging technology standards. We believe that the migration from voice services and basic mobile multimedia services to mobile broadband is the primary technological shift facing mobile network operators today. Our end-to-end solutions offer operators a smooth network migration to 3G.

Our expertise in all 2G standards and our role in developing 3G standards allow us to offer mobile telecommunications systems that incorporate any of the major 2G (GSM, TDMA, CDMA), 2.5G (GPRS) and 3G (EDGE, WCDMA, HSPA, CDMA2000, TD-SCDMA) mobile technology standards. As a result, we are able to offer tailored solutions to a network operator, regardless of the existing network standard used.

We offer a complete portfolio of radio base stations ranging from small pico cells (i.e. small cells in a mobile network that boost capacity and coverage within buildings) to high-capacity macro cell applications. Radio base stations provide access and interconnection between mobile handsets and the mobile network. A central feature of our 2G GSM radio base stations and base station controllers is their ability to be upgraded on a cost-effective basis to enable 2.5G/GPRS and 3G/EDGE transmissions. Similarly, our WCDMA base stations can be upgraded to HSPA.

Other important elements of radio access networks are the controllers for radio base stations and radio access network, which manage the traffic between the radio base stations and core network. In 2G, base station controllers in conjunction with mobile switching centers, effect call handovers between radio base stations as subscribers move between cell sites while engaged in a voice call or data transmission. Similarly, in 3G networks, a radio network controller effects call handover in conjunction with mobility server nodes within the service layer.

The core network nodes interconnect radio access networks with other parts of the network. Many of our core network switching systems, controllers for base stations and radio networks are built upon common platforms. Like our radio base station products, our mobile switching products have industry-leading scalability and capacity.

Mobile network equipment and associated network rollout services account for 74 percent of our Systems sales.

Fixed Networks

We are a supplier of broadband communications equipment and services mainly to fixed network operators in Latin America and Europe. We have a long history in fixed-line networking with an installed base of access and transit lines equivalent to 180 million lines or approximately 10 percent global market share of the installed base. By successfully addressing three key operator needs: modernization and expansion of the fixed telephony networks; introduction of IP-based revenue generating services; and cost-efficient rollout of high capacity broadband networks with service differentiation, we have been able to secure strong market positions in voice over packet, soft switching and public Ethernet access.

Fixed network operators are moving from single-service networks toward broadband packet-switched multi-service networks that have the ability to simultaneously handle multiple services, such as voice, data and images. Migration to an all-IP-based packet-switched network is a necessary step in order to combine broadband Internet, voice and image traffic into one broadband network.

Our solution for such multi-service networks utilizes a layered softswitch service and control architecture, combined with broadband access and core network routing and transmission elements. Organizing a network into layers isolates the different functions, i.e., access, core network and services, and facilitates easier migration to an all-IP environment. Due to our leadership in next-generation mobile networks, we are able to leverage our IP-based multimedia subsystem (IMS) developed for 3G mobile networks also for next-generation fixed network applications. IMS is an open service layer platform that hosts IP based services such as Voice over IP (VoIP), “push-to-talk” etc. Since our IMS solution is common for both fixed and mobile networks, converged services can be transparently provided independent of the type of access.

Fixed network equipment and associated network rollout services account for 7 percent of our Systems sales.

Professional Services

Our professional services portfolio includes expertise in consulting, education, systems integration, managed services and customer support services.

Network operators are reducing operating expenses by optimizing the operation and maintenance of their networks. As a result, many network operators are increasingly outsourcing for example network design, operations and maintenance activities. When outsourcing, operators gain flexibility in capital employed, resources and time to market – all with an assured quality of service.

We offer some of the most comprehensive managed services capabilities within the telecom industry. Our offerings cover management of all aspects of day-to-day operations of a customer's network as well as hosting of applications and content management. Ericsson's Internet Payment eXchange (IPX) service, which is the global payment and messaging delivery solution for SMS, MMS, Web and WAP that facilitates payment and distribution of content by interconnecting content providers, media companies, governments and consumer brands with operators.

The combination of our local expertise, global technology leadership, business understanding, strong delivery capabilities and extensive experience in managing multi-vendor networks makes Ericsson a leading provider of services to network operators.

Professional services account for 19 percent of our Systems sales.

Customers

We are supplying equipment, integrated solutions and services to almost all major network operators globally. We derive most of our sales from large, multi-year network build-out agreements with a limited number of significant customers. Out of a customer base of more than 425 network operators, the ten largest customers account for 44 percent of our net sales, while the 20 largest customers account for 63 percent of our net sales. Our largest customer accounted for less than 7 percent of sales during 2006.

For more information, see "Risk Factors – Risks Associated with the Industry and Market Conditions".

Competitors

In Systems, we compete mainly with large and well-established communication equipment suppliers. Although competition varies depending on the products, services and geographical regions, our most significant competitors in mobile communication include Alcatel/Lucent, Nortel, Huawei, and Nokia/Siemens.

With respect to fixed communications equipment, the competition is also highly concentrated and includes, among others, Alcatel/Lucent, Cisco, Huawei, Nokia/Siemens and Nortel. We also compete with numerous local and regional manufacturers and providers of communication equipment and services. We believe the most important competitive factors in this industry include existing customer relationships, the ability to cost-effectively upgrade or migrate an installed base, technological innovation, product design, compatibility of products with industry standards, and the capability for end-to-end systems integration.

Competition in professional services not only includes many of our traditional systems competitors but also a number of large companies from other industry sectors, such as IS/IT, for example IBM, EDS, Accenture and electronics manufacturing services companies as well as a large number of smaller but specialized companies operating on a local or regional basis. As this segment grows, we expect to see additional competitors emerge, possibly including some network operators attempting to expand into new segments.

For more information, see "Risk Factors – Risks Associated with the Industry and Market Conditions".

Organization within Systems

Our organization in Systems is built around a structure of business units responsible for the development and delivery of products and services to market units that are responsible for local sales and customer support.

Business units

Access

Our Access business unit's main role is to continuously strengthen our world leadership in 2G & 3G radio access networks by offering innovative and cost-effective products and solutions that provide best-in-class performance. Business unit Access' responsibility covers a wide spectrum of activities, from product development to production and supply. Business unit Access has manufacturing in Brazil, China, India and Sweden.

Systems

Business unit Systems is a leading supplier of end-to-end telecom grade network systems and multimedia services. The system offerings include tailored mobile core and fixed network solutions and service layer products. As a key player in the evolution to all-IP networks, we are a leader in the convergence of fixed and mobile networks and services. Business unit Systems has manufacturing in Brazil, China, India and Sweden.

Broadband Networks

The Broadband Networks business unit offers one of the world's most widely deployed microwave radio systems (MINI-LINK) together with metro optical networks in customized and managed transport solutions. The products are essential elements of Ericsson's end-to-end solutions but are also often chosen by operators utilizing other vendors' network equipment. The broadband networks business unit has one of the largest microwave production plants in the world in Sweden, as well as manufacturing in Italy and Norway.

Global Services

We enable operators to strengthen their competitiveness by offering a complete range of consulting, education, systems integration, managed services and customer support services as well as network rollout services that address a major part of their network operations. The business unit is represented in 140 countries with 24,000 employees mainly based within the local market units.

Market units

We use our own sales organization to market and sell our systems and services to customers in over 175 countries via a worldwide sales and support network consisting of 24 market units. Each market unit represents either a single country or a group of countries, depending on the extent of our business activities in that region. We have significant sales in all of the largest geographic markets for telecommunications, with no individual country accounting for more than 8 percent of sales.

We strongly believe that affordable and generally available telecommunication services are a prerequisite for social and economic development which improves the welfare of all people in any given country. As one of the world's largest providers of communications equipment and services, Ericsson has implemented a strict trade compliance program throughout the group in order to comply with foreign and domestic laws and regulations, trade embargos and sanctions in force. In no way should our business activities be construed as supporting a particular political agenda or regime.

The majority of our market units operate through local subsidiaries that are present in each country. We use our local presence to help our customers achieve greater efficiencies and gain access to recognized world-class support resources wherever they operate. The market units utilize the product expertise of the central business units within the Systems segment in tailoring and integrating our products for delivery to customers. The market units are also responsible for after-sales support and rely in particular on the Global Services business unit in fulfilling this function.

Our customers have different needs in interacting with Ericsson as a supplier, ranging from support in identifying and capturing business opportunities to "do-it-yourself" fulfillment. We use three different sales approaches that acknowledge these different needs; Project Sales (interactive relationship selling with high involvement of the customer to identify and capture business opportunities, where the solution is not known at the point of sales), System Sales (interactive relationship selling of solutions configured for specific customer needs) and Product Sales (the outcome of relationship sales and frame agreements where customers may call–off well-defined products and services electronically). System Sales has historically been our most common sales approach to best meet our customers' needs, however, as their needs evolve, the two other sales approaches will grow in importance.

Research & development

A robust R&D program is key to our competitiveness and future success. We spent over 15 percent of sales on R&D and other technical expenses during 2006. The vast majority of our R&D is invested in product development of which the majority in mobile communications network infrastructure. We have continued to invest in strategically important areas of broadband access, converged networks, service layer and multimedia.

Our R&D organization develops world-class products and performs world-leading research. About 17,100 (16,500) employees in 17 (17) countries worldwide are working in R&D in an organization consisting of development units, Ericsson research, standardization and IPR & licensing. The development units drive R&D operational excellence to increase efficiency and decrease leadtime.

Ericsson Research conducts applied research in various strategic areas to provide Ericsson with system concepts, technology, and methodology to help secure our long-term, strategic position. World-class innovations are achieved through cooperation within Ericsson and with a variety of partners including customers, universities and research institutes. Standardization bodies establish the standards that lead the industry, and Ericsson is a leading player in all major standardization organizations.

For more information regarding product and technology development, please see "Risk Factors – Strategic and Operational Risks" and "Board of Directors' Report – Research and Development".

Intellectual property rights and licensing

Through many years of involvement in the development of new technologies, we have built up a considerable portfolio of intellectual property rights (IPR) relating to telecommunications technologies. As of December 31, 2006, we held approximately 22,000 (20,000) patents worldwide, including a substantial number of patents essential to the 2G/2.5G standards of GSM, GPRS and CDMA, as well as numerous patents essential to 3G standards, such as EDGE, WCDMA, HSPA, MBMS, TD-SCDMA, CDMA2000 and Next Generation OFDM/LTE. We also hold important patents for many other areas, e.g. WiMAX, Voice over IP (VoIP), ATM, WAP, WLAN, mobile platforms and Bluetooth. With the acquisition of Marconi, our optical backbone network and transport technology portfolios were strengthened.

Our intellectual property rights are valuable business assets. We license these rights to many other companies including equipment suppliers, handset manufacturers and mobile applications developers, in return for royalty payments and/or access to additional intellectual property rights. In addition, we acquire rights via licenses to utilize intellectual property rights of third parties. We believe that we have access to all related patents that are material to our business in part or in whole.

For more information, see “Risk Factors – Strategic and Operational Risks”.

Segment Phones

Sony Ericsson Mobile Communications AB (Sony Ericsson) delivers innovative and feature-rich mobile phones, accessories and PC-cards, which allow us to provide end-to-end solutions to our customers. The 50/50 joint venture, formed in October 2001, combines the mobile communications expertise of Ericsson with the consumer electronic devices and content expertise of SONY Corporation and forms an essential part of our end-to-end capability for mobile multimedia services.

Sony Ericsson is responsible for product design and development, as well as marketing, sales, distribution and customer services. About one-third of Sony Ericsson’s handsets are produced in their factory in China. The remaining two-thirds of production is more or less equally split between contract manufacturers (EMS) and other device manufacturers (ODM) at locations in several countries in Asia, Latin America and Europe. Sony Ericsson’s global management is based in London and R&D centers are located in China, Japan, Sweden, the UK and the US.

Within the segment Phones, the primary competitors include Nokia, Motorola, Samsung and a number of other companies such as LG Electronics, NEC and Sharp. We believe that our mobile phone joint venture with Japan’s SONY Corporation creates a distinctive competitive advantage.

Sales for Sony Ericsson are not included in our reported sales, as their operating results are reported according to the equity method under “Share in earnings of joint ventures and associated companies” in the income statement.

Segment Other Operations

Units within the segment Other Operations

This segment principally consists of a number of operations deemed too small to be reported as separate segments. Other Operations include Mobile Platforms, Enterprise, Network Technologies (cables), Power Modules and Microwave Systems (Defense) (divested to Saab AB as per September 1, 2006).

Businesses in our Other Operations segment market their products and services through their own specialized direct and indirect sales channels. On occasion, these specialized sales and marketing teams work with our market units in Systems in certain markets or when dealing with large customers with whom we have a relationship.

In our Other Operations segment, our competitors vary widely depending on the product or service being offered. We face significant competition with regard to substantially all of these products and services.

Sales of these units are consolidated within Other Operations and in total amount to 6 percent of total net sales, with no single unit representing more than 2 percent.

Ericsson Microwave Systems

The defense business of Microwave Systems was divested to Saab AB on September 1, 2006. The remaining activities, National security and Public safety solutions, were transferred to segment Systems. Up until September 1, 2006, Microwave Systems provided national security and public safety solutions to defense, government and security agencies in Sweden and to more than 20 countries around the world. The unit supplied advanced airborne, terrestrial and marine radar systems, which were integrated into command, control and communication functionality.

Ericsson Enterprise

Enterprise provides communications systems and services that enable businesses, public entities and educational institutions to have seamless access to applications and services across multiple locations. We address a wide variety of enterprise needs through segmented offerings for both small and large enterprises. We focus on providing solutions for Voice over IP (VoIP)-based private branch exchanges (PBX), Wireless Local Area Networks (WLAN), and Mobile Intranet solutions. With Mobile Enterprise, users on the move are able to access a range of business-critical communications and information applications from a variety of devices over private or public, fixed or mobile networks. Ericsson Enterprise operates mainly from Sweden, but has a global presence through the market units and other partners/distributors. Manufacturing is outsourced.

Ericsson Cables

Our cables unit provides a full range of cable related solutions for telecom and power networks. Ericsson is a leading player in the passive fiber access network field and our expertise includes integration of copper, fiber optic and mobile technologies. About a third of the sales from our Cables group is attributable to inter-segment sales. Manufacturing is carried out in China, India, Malaysia and Sweden.

Ericsson Mobile Platforms

Ericsson Mobile Platforms is a leading platform technology supplier for GSM/EDGE and WCDMA/HSPA platforms used in devices such as mobile handsets and PC cards. Through Ericsson Mobile Platforms, Ericsson was one of the first companies in the world to license open-standard end-to-end interoperability tested GSM/EDGE and WCDMA technology platforms. The product offerings are based on our comprehensive intellectual property portfolio and include: reference designs, platform software, ASIC (application specific integrated circuit) designs and development boards, development and test tools, training, support and documentation. By licensing our technology and platforms, mobile phone manufacturers can launch new products faster, with limited R&D investments and lower technology risks, allowing them to focus on product differentiation in areas such as applications, industrial design, manufacturing, distribution and branding – getting advanced and attractive products with short time to market. Ericsson Mobile Platforms has operations at nine global locations with main operations in Sweden.

Ericsson Power Modules

Ericsson Power Modules is a leading supplier of miniaturized and high density direct current DC/DC converters and DC/DC regulators, mainly to the communications industry, for advanced applications such as multiplexors, switches, routers and radio base stations. In addition, the levels of technology, ruggedness and reliability of these products mean that they often provide excellent solutions for other demanding applications in medical, avionics, computing, military, space, and industrial market sectors. Manufacturing is centralized to China.

Changes in organization and management

Organizational changes made during 2006:

- As per January 2006, Pakistan was moved from the Market Area Asia Pacific to the Market Area Central & Eastern Europe, Middle East and Africa (CEMA).
- As per January 2006, three development units, IP Networks, Core Network Evolution and Service Layer Development, were transferred to business unit Systems and business unit Access to bring development closer to the business, improving time to market and ensuring that Ericsson's products and solutions meet user needs.
- As per January 2006, certain assets and staff of Marconi were acquired and integrated within business unit Transmission and Transport Networks, business unit Global Services and business unit Systems.
- As per January 2006, business unit Transmission and Transport Networks was renamed to business unit Broadband Networks.

Organizational changes made during 2006 with effect 2007:

- A new organization is effective as from January 1, 2007 consisting of Networks, Global Services and Multimedia.
  - Business unit Networks includes mobile and fixed access, core and transmission networks, as well as next-generation IP-networks. The former business units Systems, Access and Broadband Networks are integrated into the new unit, as well as Ericsson Power Modules and Ericsson Cables. The unit is headed by Kurt Jofs, Executive Vice President and previously head of business unit Access. The new unit has approximately 21,500 employees.
  - Business unit Global Services is intact with approximately 24,000 employees.
  - Business unit Multimedia provides solutions for charging solutions, mobile TV, radio, video, music, gaming, and print over fixed and mobile networks and other new multimedia applications. The business unit includes Multimedia systems, previously reported under segment Systems and business units Ericsson Mobile Platforms and Enterprise, previously reported under segment Other Operations as well as Ericsson Consumer and Enterprise Lab. The unit is headed by Jan Wäreby, Senior Vice President and head of business unit Multimedia. The new unit has approximately 4,000 employees.
- As from January 1, 2007 Group function Strategy and Product Management is split and moved to Group Function Operational Excellence and business unit Networks. Strategy is moved to Group Function Operational Excellence and renamed Group Function Strategy and Operational Excellence. The unit is headed by Joakim Westh head of Group Function Operational Excellence. Product management is moved to business unit Networks.
- As per January 24, 2007 Ericsson completed the cash tender offer for US-based Redback Networks.

Changes in the Group Management Team made 2006:

- As per January 2006, Sivert Bergman, head of business unit Broadband Networks, was appointed integration manager for the Marconi acquisition and included in the Group Management Team.

Changes in the Group Management Team made 2006 with effect 2007:

- As per January 2007, Kurt Jofs, Executive Vice President and Head of business unit Access is appointed head of the new business unit Networks.
- As per January 2007, Jan Wäreby, is appointed Senior Vice President and head of business unit Multimedia and included in the Group Management Team.
- As per January 2007, Joakim Westh, head of Group Function Operational Excellence, also assumes responsibility for Strategy management.
- As per January 2007, Sivert Bergman, head of business unit Broadband Networks, leaves the Group Management Team as Marconi now is fully integrated.
- As per January 2007, Torbjörn Nilsson, head of Group Function Strategy and Product management leaves the Group Management Team.

For more information about management, please see "Notes to the Consolidated Financial Statements – Note C29, Information Regarding Employees, Members of the Board of Directors and Management".

Human resources

We believe that every employee should be treated with respect and dignity. We value the rich diversity and creative potential of people with differing backgrounds and abilities. A culture of equal opportunities in which personal success depends on personal merit and performance is encouraged throughout our operations.

We have three core values: Professionalism, Respect and Perseverance. These values form the foundation of how we operate our business. Our core values define how we treat each other, our customers and our business partners and therefore they define our culture. Characteristics of our culture are exhibited by a passion to win; employee diversity, honesty, trust and

PRIMARY MANUFACTURING AND ASSEMBLY FACILITIES

	2006		2005		2004		2003	
	Sites	Sq Meters	Sites	Sq Meters	Sites	Sq Meters	Sites	Sq Meters
Sweden	**8**	**231,500**	9	256,615	10	277,415	10	310,000
China	**3**	**20,860**	3	15,200	3	15,200	3	9,500
Italy	**2**	**20,100**	0	0	0	0	0	0
Brazil	**1**	**18,400**	1	15,840	1	15,840	1	22,100
Germany	**1**	**13,900**	0	0	0	0	0	0
India	**1**	**5,364**	1	5,364	0	0	0	0
Other	**2**	**8,100**	0	0	0	0	0	0
Total	**18**	**317,560**	**14**	**293,019**	**14**	**308,455**	**14**	**341,600**

During 2006, manufacturing and assembly facilities related to Marconi added an aggregate of 39,000 square meters in Italy, Germany and USA.
During 2006, our Defense unit was divested and related leased facility was transferred.

support for each other; integrity and high ethical standards; and leadership by example at all levels. We believe the best way to further develop our business is to remain accountable to ourselves and to our customers.

Every year we conduct an employee satisfaction survey to assess our Human Capital Index and employee Empowerment Index.

We maintain an open management style that involves our employees in both daily decisions that affect them as well as longer-term matters. We are fully committed to keeping all employees informed about the implications of major business changes and other relevant matters. Key business priorities are communicated throughout the organization and form part of the basis for employee compensation and incentive plans. Details of these plans appear in Notes to the Consolidated Financial Statements – Note C29, “Information Regarding Employees, Members of the Board of Directors and Management”. We also have constructive relationships with a variety of trade unions, including formal recognition and active dialogue where appropriate.

Supply

Manufacturing and assembly

Systems’ manufacturing consists of two basic production activities, module and node. However, we outsource about half of our systems module production to several electronics manufacturing service (EMS) companies. Most of our node production is done in-house. We have 18 significant manufacturing and assembly locations worldwide with a total of approximately 320,000 square meters of floor space. We lease all of these facilities except one in China and one in Brazil as well as some former Marconi facilities in Germany, Italy and the US.

The Systems segment consumes more than two-thirds of the total floor space, with Cables and Power modules consuming most of the rest. In Sweden, the majority of the floor space within our production facilities is used for module production with the balance mostly used for node assembly and testing. Including the EMS production, approximately 35–40 (35–40) percent of Systems’ module production and 75–80 (75–80) percent of Systems’ node production is performed in Sweden.

We intend to continue to outsource module production where adequate manufacturing capacity and expertise are available on favorable terms. Such outsourcing of the major part of module manufacturing provides us greater flexibility to adapt to economic and market changes. However, the timing and level of outsourcing is a balance between short-term demand and longer-term flexibility. Therefore, we generally plan to use our own production capabilities to absorb temporary changes in volumes.

We manage our own production capacity on a global basis by allocating production to sites where capacity is available and costs are competitive. At year-end 2006, excluding Marconi operations, our overall utilization was close to 100 percent as we continuously adjust our production capacity to meet expected demand.

The table “Primary Manufacturing and assembly facilities” above summarizes our major manufacturing and assembly facilities as well as the total square meters of floor space at year-end.

Suppliers

Most of our node production, i.e., assembly, integration and testing of modular subsystems into complete system nodes such as radio base stations, mobile switching centers etc., is done in-house. About half of our module production, i.e., production of subsystems such as circuit boards, radio frequency (RF) modules, antennas etc., is outsourced to a group of electronics manufacturing services companies including Celestica, Elcoteq, Flextronics, Jabil and Solectron, of which the vast majority is in low-cost countries. We also purchase customized and standardized equipment, components and services from several global providers as well as from numerous local and regional suppliers.

A number of our suppliers design and manufacture highly specialized and customized components for our end-to-end solutions as well as individual nodes. We generally attempt to negotiate global supply agreements with our primary suppliers. While we are not dependent on any one supplier for the provision of standardized equipment or components and seek to avoid single source supply situations, a need to switch to an alternative supplier may require us to allocate additional resources to ensure that our technical standards and other requirements are met. This process could take some time to complete. Accordingly, a need to switch to an alternative supplier could potentially have an adverse effect on our operations in the short term.

For more information, see "Risk Factors – Strategic and Operational Risks".

Sources and availability of materials

We purchase raw materials, electronic components, ready-made products and services from a significant number of domestic and foreign suppliers. Variations in market prices for copper, aluminum, steel, precious metals, plastics and other raw materials have a limited effect on our total cost of goods sold. Our purchases mainly consist of electronic components as well as ready-made products and services. To a limited extent, we are involved in the production of certain components such as power modules and cables, which are used in our systems products as well as sold externally to other equipment manufacturers.

Based on our most recent sourcing agreements, the increase in oil and metal prices during 2006 had only a limited negative effect on our costs and did not affect the availability of the electronic components or ready-made products and services that we require. To the extent possible, we rely on alternative supply sources for the purchased elements of our products to avoid sole source situations and to secure sufficient supply at competitive prices. Assuming there will only be a moderate increase in market demand, we do not foresee any supply constraints to meet our expected production requirements during 2007.