Board of Directors' Report

This Board of Directors' Report includes a discussion and analysis of Ericsson's consolidated financial statements and operational results for 2007 as well as other information. It includes forward-looking statements regarding a variety of matters, including future market conditions, strategies and anticipated results. Such statements are based on judgments, assumptions and estimates, which are subject to risks and uncertainties. Actual results could differ materially from those described or implied by such forward-looking statements. For further discussion, please see "Forward-looking Statements" and "Risk Factors."

The discussion and analysis of the results are based on Ericsson's consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of these financial statements requires management to apply accounting methods and policies that involve difficult, complex or subjective judgments and estimates based on past experiences and assumptions determined to be reasonable. The application of these judgments, estimates and assumptions affects the reported amounts of assets and liabilities and contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Under different judgments, assumptions or estimates, these amounts could differ materially.

Please see Notes to the Consolidated Financial Statements – Note C2, "Critical Accounting Estimates and Judgments," for more information about the accounting policies we believe to have the most significant effect on Ericsson's reported results and financial position. The external auditors review the quarterly interim reports, perform audits of the annual report and report their findings to the Board's 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. 2006).

Summary

Ericsson increased sales by 4 (17) percent to SEK 187.8 (179.8) billion in 2007. Organic growth (i.e. excluding acquisitions) was 8 percent in constant currencies. In an environment with a significantly weaker US dollar affecting reported sales and income negatively, Ericsson still produced one of the highest incomes of its 130-year history. Net income attributable to stockholders of the parent company was SEK 21.8 (26.3) billion. Earnings per share attributable to stockholders of the parent company was SEK 1.37 (1.65). Cash flow from operating activities was SEK 19.2 (18.5) billion. Cash flow before financing activities was SEK –8.3 (+ 3.6) billion, after investments for acquisitions of SEK 26.3 (18.1) billion.

Ericsson made good progress in strategically important areas such as:

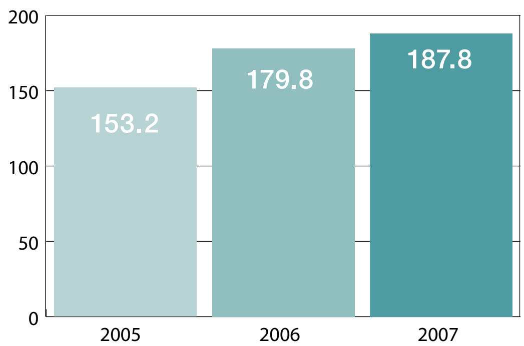
- Securing scale advantages by significantly increasing mobile systems market share, especially in emerging markets such as China, India, Russia and Africa.
- Strengthening the Company's position within the Networks segment in fixed broadband access and transmission as well as IP routing.
- Making complementing acquisitions to strengthen Ericsson's competence and product portfolio in IP technology, IPTV and multimedia.
- Increasing market share in professional services through new managed services contracts, especially in Western Europe.
- Refinancing maturing borrowings and increasing committed credit facilities for greater financial flexibility and improved credit ratings.
- Attaining the position as the fourth largest mobile phone supplier through the Sony Ericsson joint venture.

During the year, the Company announced a significant number of new or expanded agreements to supply network equipment and/or related services to operators around the world. The aggregate value from these agreements was the highest in five years.

The Company's good progress has been somewhat tempered by a change in business mix within the Networks segment. The business mix now has a higher proportion of break-in contracts and contracts with large content of network rollout services and third party products which negatively affects gross margins. Adding to this effect is the ongoing shift to new switching technologies, where the Company is building a new footprint which has similar competitive characteristics, e.g. open bidding process, as new network buildouts.

In the third quarter, there was an unexpected shift in the business mix, with a relatively higher proportion of new network sales and a lower proportion of expansions and upgrades sales,

SALES DEVELOPMENT 2005–2007 (SEK BILLION)



resulting in significantly lower margins. This triggered the profit warning which caused the share price to decline significantly. Although the degree and speed of margin compression within Networks was unexpected, some degree of volatility and deviations from forecasts is likely to occur in any network equipment vendor's quarterly results.

Professional Services sales, especially managed services, showed strong growth. The scale for continued profitable growth is now well established – particularly in Western Europe.

The new Multimedia segment made good progress in establishing their operations and quickly expanding the portfolio with several acquisitions. The Company continues to invest for a leading market position in networked media and IP-based applications and services.

Sony Ericsson Mobile Communications continued its strong performance, profitably gaining market share and ending the year as the fourth largest mobile device supplier. The joint venture has strong momentum toward its ambition of achieving a top three position. Sony Ericsson also contributed significantly to Ericsson's operating income and cash flow.

During the year, the Company acquired Redback Networks, Tandberg Television and LHS as well as several smaller companies. These aquisitions have already helped Ericsson win several significant contracts. The expanded product line along with the addition of specialist resources should help the Company benefit in a number of growth areas related to IP, such as routing, multimedia applications and services.

While we believe the Company is well positioned for the longer term and remains the most profitable among its peers, there are several challenges in the shorter term. These include macroeconomic and geo-political risks, exposure to the US dollar, greater competition with intensified price pressure, a slower growth environment and the margin effects of an unfavorable Networks business mix. However, the Company has strategies and action plans to address these challenges.

Market Environment and Trends

This was another record year for mobile communications with some 586 (500) million new subscriptions and over 1100 (980) million mobile phones shipped. As expected, overall growth of the network equipment market during the first half of the year was similar to 2006 but then unexpectedly slowed during the third quarter. Using mobile operator capital expenditures spending estimates as a proxy for the mobile network equipment market, we believe the mobile systems market grew slightly below the Company's expectation of mid-single digits.

At the end of 2007, the 3.3 (2.7) billion mobile subscriptions worldwide represented a global subscription penetration of 49 (41) percent. (Note: The number of actual individual mobile subscribers is significantly lower, perhaps some 15–20 percent but possibly more, because of inactive subscriptions and people having multiple subscriptions.)

The Company expects the number of mobile subscriptions to grow to more than 4 billion during 2009, thus creating further need for new and expanded mobile networks and corresponding professional services.

Strong growth in emerging markets

The historical price/performance trend in both mobile phones and network infrastructure has expanded the addressable market significantly, making mobile communications affordable also in emerging markets. Capital spending on mobile networks in emerging markets grew an estimated 17 percent and now represents almost half of the total market. Developed markets declined an estimated 8 percent.

More mobile subscribers and growing average MOU (minutes of use) should sustain demand for network construction and expansion in emerging markets. These projects are increasingly provided on a turnkey basis which, by its very nature, dilutes short-term margins and cash conversion because of substantial installation, systems integration and third-party content. While turnkey projects are likely to continue to represent a large proportion of networks sales, these effects should decrease as the initial phase gives way to expansions and upgrades.

CDMA operators switching to the GSM/WCDMA track

CDMA operators around the world continue to switch to the GSM/WCDMA track. During 2007, CDMA operators in Brazil and Israel made the switch and operators in India, Vietnam and New Zealand have decided to change. Even in the US, a major CDMA operator has announced plans to deploy next-generation mobile broadband networks using the long-term evolution (LTE) of the GSM/WCDMA track.

3G/WCDMA to soon overtake GSM

Although GSM continues to represent the majority of the mobile systems market, its growth is slowing as 3G/WCDMA is starting to accelerate. Demand for new GSM networks is mainly in emerging markets, especially Asia and Africa. GSM should remain the predominant technology for emerging markets in the near to mid-term, but the Company expects 3G deployments to soon start in earnest in such populous countries as Brazil, China, India and Russia. This along with the projected 3G network expansions and upgrades in more mature markets indicate that sales of 3G/WCDMA will soon overtake GSM globally.

At year-end, there were nearly 180 million subscriptions on 197 (146) commercial 3G/WCDMA networks, of which Ericsson is a supplier to 129 (91). The High Speed Packet Access (HSPA) version of 3G/WCDMA is now deployed within 166 (96) commercial networks in 75 (51) countries. Ericsson is a supplier of 81 (46) of these networks, which represent the vast majority of HSPA users. Despite this growth, the number of potential subscribers covered by commercial 3G/WCDMA networks is less than a third of those covered by 2G/GSM services. This provides a significant opportunity for equipment suppliers to upgrade 2G networks to 3G.

LTE becoming main choice for next-generation mobile broadband

As consumer demand for higher speed mobile data services, accelerates, especially for video, operators must find ways to reduce costs and improve service performance to meet this demand. Unlike WiMax or Ultra Mobile Broadband (UMB), two alternative radio technologies, LTE has the advantage of providing an evolutionary path that leverages existing GSM/WCDMA as well as CDMA networks. The Company believes that an LTE-based network offers more compelling life-cycle economics to an operator than alternative technologies. This is the main reason Ericsson has chosen not to invest in WiMax or UMB.

The Company's commitment to, and substantial R&D investment in, LTE has received strong support from the largest operators in the industry. Verizon and Vodafone, joint owners of U.S. based Verizon Wireless, announced plans to deploy next-generation mobile broadband networks using LTE. They have a coordinated trial plan for LTE that begins in 2008 with Ericsson as one of the suppliers. More recently, NTT DoCoMo announced that they had selected Ericsson to supply LTE-based network infrastructure in Japan. In addition, China Mobile and AT&T Wireless recently announced that they would follow the LTE-path. Ericsson is currently a major supplier to both of these operators. We are encouraged by this strong momentum and agree with the Company's assertion that LTE will most likely be the predominant technology for next-generation mobile broadband networks.

Bundling and flat-rate tariffs

Operator investments in fixed networks have been driven by the need to replace lost revenues from voice that may have been captured by mobile or VoIP (Voice over IP) as well as from increased competition amongst operators. A well established strategy for customer retention has been the so called triple-play (i.e. bundling of voice, Internet and television), sometimes in conjunction with flat-rate pricing. This has accelerated the conversion to all-IP broadband networks with increased deployments of broadband access, routing and transmission along with next-generation service delivery and revenue management systems.

Similarly, mobile operators are also turning to bundling and flat-rate pricing, especially when combining mobile voice with mobile broadband. This trend is expected to accelerate with the introduction of mobile TV. In developing markets, voice and text messaging remain the primary services. Since there are limited fixed networks available in such markets, mobile broadband will become increasingly important as the demand for Internet access grows.

In such a converged world with more and more IP related services, the demand for systems integration services is expected to continue to grow strongly.

Operator consolidation

Operator consolidation continues in several regions. In the Americas, consolidation has reduced the number of operators by more than half. In Europe, mergers continue as well as other types of combinations, such as network sharing and outsourcing of network operations. In other regions, operator consolidation has led to the emergence of rapidly growing pan-regional operators, particularly in the CEMA markets (Central and Eastern Europe, Middle East and Africa).

Although operator consolidation does not impact the underlying growth of the mobile market, it often disrupts market development by creating delays in procurement, reducing total capital expenditures, while increasing pricing pressure on vendors as the combined entities have stronger negotiating power.

Network sharing

The overall impact of network sharing will ultimately be neutral for mobile equipment vendors. To a certain extent, short-term disruption of capital expenditure plans or re-negotiation of contracts with the network sharing companies may be somewhat compensated by increased sales of professional services, especially network integration and managed operations. Over the longer term, the majority of savings will come from shared plant and property as the equipment has to be dimensioned for the peak traffic demand of the combined networks.

Good growth opportunities for managed services and systems integration

Compared with network deployment services, which tend to grow more or less in line with the equipment market, demand for managed services (i.e. network operation and hosting services) as well as systems integration is growing more rapidly. The potential market for network operation services is larger than the potential market for network equipment and related deployment services. A mature operator is estimated to typically spend some 5–6 percent of annual sales on equipment to build a network, but spends approximately 10–12 percent of sales to operate that network. More than 75 percent of network operation expenses today are believed to be handled in-house by operators but they are increasingly being outsourced as operators realize the competitive advantages and potential cost savings. Consequently, the market for such managed services is expected to show good growth prospects going forward.

Network development increasingly driven by non-voice traffic

Rather than enhancing their legacy voice-centric installed base, the Company expects operators to increasingly target spending on next-generation communications equipment that will raise revenues by enabling new services and/or reduce operating costs. Therefore, Ericsson believes the following key technologies will drive industry growth for the next several years: mobile broadband; IP and multi-service switching; fixed broadband access and IPTV; VoIP and IP multimedia subsystems (IMS); and metro optical and radio transmission. Finally, Ericsson expects operators to accelerate the transition from legacy technologies such as TDM (circuit) switching and ATM (packet) in favor of IP- (Ethernet) based technologies for both switching and transmission; all areas which the Company continues to invest heavily in.

Notwithstanding the positive trends in mobile broadband, with rapidly increasing data traffic, market conditions for mobile network equipment are expected to remain challenging in developed markets. Ongoing operator consolidation, especially in Western Europe, where the technology shift for more efficient networks, as well as changing regulations, such as price caps for roaming and lower call termination fees, is affecting operator willingness and need to increase network investments in the near term. This trend is most pronounced for highly penetrated GSM networks, in which demand for upgrades and expansions has rapidly diminished as operators spend more to expand and enhance their 3G networks.

Price/performance developments create opportunities as well as challenges

A continously improving price/performance ratio driven by technological development enlarges the mobile communications market by making the cost of services affordable to more and more of the world's population. But it can also hurt vendors that do not stay ahead of the technology cost curve. Scale is essential to Ericsson's ability to sustain the large R&D program needed for technological leadership. Moore's Law implies that the processing speed, capacity and capabilities of digital electronics will improve exponentially at an ever lower cost and size. This affects communications technology as it does other areas of digital technology. Normal price erosion and continous improvements in spectrum utilization have historically been offset by unit volume increases.

Technology shift affecting product mix

Since operators can build and operate softswitch-based networks much more economically compared to a monolithic circuit switch, operators are motivated to replace the circuit switch with softswitching rather than to continue spending on older technology. This trend is accelerating, and softswitches now represent the vast majority of shipped capacity but only account for slightly more than half of Ericsson's switch sales. This growth is masked by the decline in legacy circuit switching sales. Furthermore, since these are initial deployments, the margin profile is that of new business but is creating an installed base for future sales. This shift, like all others, will eventually reach a steady state and the underlying growth will become visible.

Evolving competitive landscape

The need for scale in R&D, production and support has led to consolidation among our competitors. This could have challenged Ericsson's scale advantage within mobile networks. The Company chose to defend its competitive position through organic growth rather than with disruptive and high risk mega-mergers. The rapid market share gains indicate the success of this strategy but it has come at a certain cost, as price levels for some contracts have been very competitive. With a scale advantage reestablished, the Company will now focus more on capitalizing on these gains and its leading position to derive more follow-on sales of expansions and upgrades from the enlarged installed base.

Price competition for mobile networks – for winning new contracts and strategically increasing market share for a scale advantage – was intense again this year, especially against Chinese competitors. Although these competitors have increased their market share, especially in China, Ericsson has also increased its market share, including in China.

New radio spectrum being allocated

Much needed radio spectrum is being allocated to mobile communications as frequency bands previously used for analog TV broadcasting are made available. Late in the year, Sweden was one of the first markets to make the change. In the US, auctions are scheduled for the first half of 2008. Other markets are expected to follow during the coming years. In addition, a number of mobile operators have started to refarm their existing spectrum in the 850/900 MHz bands for 3G/WCDMA buildouts, where allowed by regulators. Due to superior radio propagation characteristics at lower frequencies, an operator can potentially build a network with significantly fewer cell sites for a much lower total cost of ownership compared with 1900/2100 MHz spectrum.

Global economic development

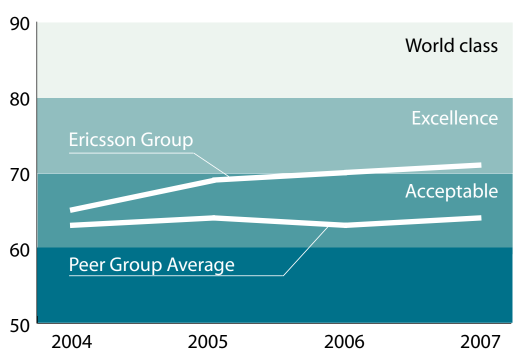
Although the Company expects the market conditions of 2007 to continue during 2008, the most recent economic outlook from the Organization for Economic Cooperation and Development (OECD) forecasts a slowdown in real GDP within the 30-nation OECD area but a continued ”brisk growth” in such emerging economies as Brazil, China, India, and Russia. However, while we agree that emerging markets contribute significantly to world trade growth, we are doubtful if these emerging economies are resilient enough to be unaffected in the event of a material slowdown in the US and major Western European markets.

We do not want to postulate a view on how the global economy will develop, but we believe that if an economic recession should occur it would have a less pronounced impact on mobile networks demand than in the recession of 2001–2003. Operator balance sheets are much healthier now and there is significantly greater geographic diversification where emerging markets now account for a much larger and faster growing portion of network investments. In addition, mobile operator capital expenditure spending is not at unsustainably high levels and networks are well utilized unlike during the last market downturn.

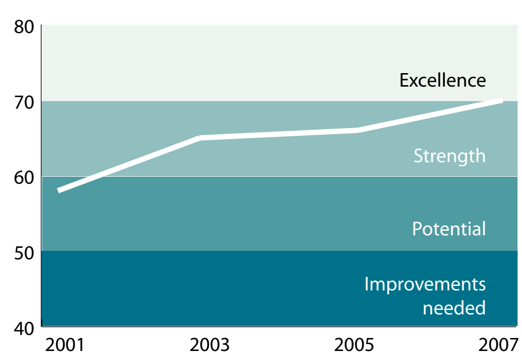
Goals and Results

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; especially to the world’s leading network operators by being the market and technology leader for the supply and operation of network infrastructure. As the market leader, the Company uses economies of scale to develop superior products and services that provide competitive advantages. In addition, when Ericsson’s network equipment and associated services are combined with its 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.

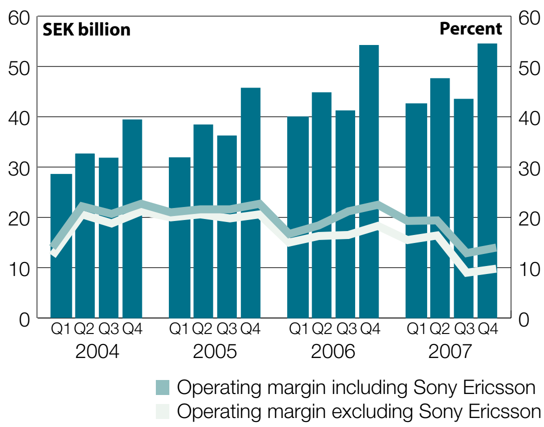
ERICSSON CUSTOMER SATISFACTION



ERICSSON EMPLOYEE SATISFACTION



SALES & OPERATING MARGINS 2004–2007



We monitor the Company's performance according to three fundamental metrics: customer satisfaction, employee satisfaction and value creation. 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 leading market share, a faster than market sales growth, a best-in-class operating margin and a healthy cash conversion.

Customer satisfaction

Every year, a customer satisfaction survey is independently conducted by the CFI Group, in which approximately 9,000 employees of some 380 fixed and mobile operators around the world are polled to assess their satisfaction with Ericsson compared to its main peers. This year's results show a continued upward trend and Ericsson was ranked as excellent while the Company's peers were ranked on average as acceptable.

Employee satisfaction

Every year, an employee survey is independently conducted by Research International. In 2007, 90 (90) percent of Ericsson employees participated in this survey. The results show a continued upward trend, especially in the Human Capital Index, which measures employee contribution in adding value for customers and meeting business goals. Ericsson has now reached a level considered excellent by external benchmarking.

Value creation

Although margins fell below the levels of the last several years, the Company strengthened its market position and continues to perform better than its peers. A strong balance sheet, flexible operational model and a strengthened industry-leading position provide the means for handling any near-term pressure on margins. 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 their ambitions:

- Increase sales at a rate faster than the market growth.
  As previously mentioned, we believe the mobile systems market grew slightly below the Company's expectation of mid-single digits in USD terms. Ericsson's mobile systems sales increased by 9 (15) percent in constant currencies, the Professional Services market showed good growth and Ericsson's Professional Services sales grew by 19 percent in constant currencies, compared with an estimated market growth of approximately 12–14 percent;
- Deliver best-in-class operating margin, i.e. better than the main competitors.
  With an operating margin of 13 (17) percent for the Group excluding Sony Ericsson, Ericsson's operating margin continued to be the highest among its main competitors;
- Generate cash conversion of over 70 percent.
  The cash conversion for the full year was 66 (57) percent. Reflecting an increased focus on cash flow, a longer-term cash conversion target of over 70 percent was introduced and communicated during 2007. The Company also communicated that this target was unlikely to be achieved shorter term, mainly due to continued expansion of large turn-key projects in emerging markets and demand from customers for more favorable payment terms. During 2007, the Company also launched a Strategic Focus Area addressing cash flow to secure continous improvements in our sourcing, supply and sales processes.
  The cash conversion is expected to gradually improve as a result of this program and as the growth in turn-key projects slows down to be more in line with the Group's overall growth.

Sales

Group sales grew 4 (17) percent, driven by higher professional services sales. Acquisitions contributed an estimated 1.5 percentage points. With the average USD exchange rate some 9 percent lower, fluctuations in foreign exchange rates had a rather significant negative effect on reported sales as approximately 50 percent of sales were USD related.

SALES PER REGION AND SEGMENT 2007

SEK billion	Networks	Professional Services	Multimedia	Total	Percent change
Western Europe	28,085	17,287	7,313	**52,685**	–1%
CEMA [1)]	36,435	8,305	3,921	**48,661**	5%
Asia Pacific	43,101	9,061	2,467	**54,629**	14%
Latin America	12,972	4,274	1,137	**18,383**	12%
North America	8,392	3,965	1,065	**13,422**	–15%
Total	128,985	42,892	15,903	**187,780**	4%
Share of total	69%	23%	8%	**100%**	
Percent change	1%	16%	14%	**4%**	

[1)] Central and Eastern Europe, Middle East and Africa

Segment Networks

	2007	2006	Percent change
Sales	**128,985**	127,518	1%
of which network rollout	**18,507**	16,410	13%
Operating income	**17,398**	21,722	–20%
Operating margin	**13%**	17%	
EBITDA margin	**19%**	22%	

Mobile network buildouts, especially in emerging markets, represented the majority of sales. Sales of related network rollout services grew 13 percent to SEK 18.5 billion during 2007, reflecting increased demand for turnkey projects and a larger market share in mobile systems. The Company reported mobile systems sales growth of 3 percent; however, using constant currencies, management estimates that such sales grew by approximately 9 percent.

Networks' business continues to grow where network buildouts and break-in contracts are predominant and price competition is most intense. Such lower gross margin sales have been historically balanced by sales of products with a typically higher gross margin. Ericsson's market share gains, including many large turnkey projects, combined with relatively lower sales of upgrades and expansions has unfavorably altered the business mix resulting in lower margins.

The ongoing technology shift from circuit-switched core networks to softswitch solutions has also negatively affected networks sales and margins. With an economic life of 10–12 years, this transition would reasonably be expected to take a number of years. However, the economics of the newer technology is such that operators are increasingly replacing their legacy switch nodes rather than continuing to invest in them. Bidding for the replacement opens the installed base to competition, but the Company is building an even larger installed base by capturing an increased market share. However, the growing sales of softswitches are currently insufficient to offset the more rapid sales decline of legacy circuit switching expansions and upgrades.

Price competition remains intense and has also affected margins, but Network's gross margin development has been more affected by the business mix shift. The Company's success in replacing competitors' installed base with certain operators to more rapidly gain market share has also been a significant part of this development. The Company has in some cases offered to share in the cost of the change-out with the operator for the opportunity to enlarge the installed base.

Sales of optical and microwave transmission systems to fixed as well as mobile operators showed good growth. Overall sales of fixed networks, however, grew in line with the market. The Company's ambition is to grow faster than the market. In support of this, the Company has significantly strengthened its offering by combining Ericsson's own products with those acquired with Redback Networks and Entrisphere.

Furthermore, Ericsson is using Redback as the platform to combine and focus all of its IP efforts under one organization and leadership headquartered in Silicon Valley. We believe this concentration of resources will be sufficient for Redback to seriously challenge the market leaders.

The alignment of Ericsson's and Redback's sales channels is progressing according to plan, but with some dampening effects on Redback's sales growth during the transition. Lower sales of domestic legacy products in the US have been offset by increased sales of new products internationally. In combination with Ericsson, Redback finished the year with 87 new customers in 68 countries and now counts 15 of the top 20 fixed network operators and three of the top mobile operators amongst its customer base of more than 300 operators. 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 be able to converge fixed and mobile networks on one platform – offering operators significant savings and new revenue opportunities.

Segment Professional Services

	2007	2006	Percent change
Sales	**42,892**	36,813	16%
of which managed services	**12,172**	9,491	28%
Operating income	**6,394**	5,309	20%
Operating margin	**15%**	14%	
EBITDA margin	**16%**	15%	

Professional Services sales were particularly encouraging, growing at 16 percent to SEK 42.9 billion. Growth measured in local currencies amounted to 19 percent compared with an estimated market growth of some 12–14 percent. Managed services sales grew by 28 percent to SEK 12.2 (9.5) billion, as the Company continued to win contracts for network operations and hosting services. At year end 2007, Ericsson-managed network operations served approximately 185 (100) million users.

Operating margin is stable in the mid-teens 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 of the managed services businesses. A large managed services agreement in the UK has been adjusted and the scope has been somewhat reduced to accommodate network sharing. This will affect managed services sales but the Company does not expect margins to be affected.

Ericsson won several breakthrough managed services deals during the year, including a pan-European multi-vendor spare parts management agreement with Vodafone, managed operations for parts of T-Mobile's network in the UK, and managed operations for Deutsche Telekom's transmission network in Germany. In addition, more than 1,000 systems integration contracts were signed during the year, including a multivendor network management solution for Wataniya Algeria, IT development and maintenance of business support solutions with Telecom Italia, and a Slovakia border control solution as part of the Schengen boundary expansion.

Segment Multimedia

	2007	2006	Percent change
Sales	**15,903**	13,877	14%
Operating income	**–135**	714	
Operating margin	**–1%**	5%	
EBITDA margin	**4%**	6%	

Sales growth for the newly formed segment amounted to 14 percent, driven mainly by acquisitions. Organic growth was 2 percent and reflects a challenging comparison to prior year's results. The segment is operating on a more or less break-even level as investments to build a leading position in networked media and messaging continues. The ambition is to be the key enabler for new services and applications based on IPTV, IMS and content aware billing solutions.

This was a year of direction setting, organizing existing strengths and supplementing these areas with acquisitions. With the exception of enterprise solutions, sales opportunities for Multimedia show a positive trend, and the integration of the acquisitions are well on track. Multimedia solutions made good progress with new business development, especially for mobile platforms and revenue and service management systems. Ericsson is now a mobile platform supplier to nineteen handset manufacturers, including 4 of the top 10. However, Sony Ericsson continues to account for the majority of the volumes.

This year was a transition year for Tandberg Television, as the long process to complete the acquisition disrupted their momentum early in the year. However, since completion of the acquisition, Tandberg has shown progressive sales growth and has now regained their momentum as market leader. Entering 2008, the Company believes Tandberg is well positioned in terms of operational efficiency, new product pipeline and sales momentum. Tandberg is a key element of Ericsson's IPTV ambitions.

A number of key deals and partnerships were closed in Multimedia. Ericsson partnered with Turner Broadcasting to develop Turner's content for Internet, broadcast news and entertainment, including CNN International and the Cartoon Network for mobile multimedia environments. A global partnership agreement was signed with Endemol International B.V. to develop interactive TV and user-generated content via Ericsson's Me-On-TV solution.

The multimedia market is quickly evolving and converging: industries, (telecom, media and internet), technologies and payment options. End-to-end revenue management solutions must be able to 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 ready to immediately capture this opportunity. Ericsson's leadership in real-time charging and mediation, together with the leading billing and customer care solutions of LHS, make the combined companies a leading player in revenue management and significantly strengthen Ericsson's overall multimedia offering.

Entering 2008, the Multimedia segment is now established and focus will continue on supporting service providers to be able to offer a superior user experience to their customers.

Segment Phones

See Sony Ericsson Mobile Communications under Partnerships and Joint Ventures.

Regional Overview

Ericsson's sales distribution between developed and developing (emerging) markets within the Networks business continues to shift toward emerging markets, which now accounting for 52 (46) percent of sales which indicates a growth of some 14 percent in these markets. Considering that most sales in emerging markets are in some way linked to the USD, underlying growth in constant currencies was even more significant.

Sales in market areas Asia Pacific, CEMA and Western Europe are of similar volumes, but the business mix differs significantly. Asia Pacific is mainly driven by new networks and expansion of network coverage to accomodate strong subscriber growth, whereas sales growth in Western Europe is driven by managed services and higher demand for mobile broadband and broadband transmission. Despite continued buildout of 3G along with HSPA upgrades, overall sales of mobile systems in Western Europe declined as operators invested less in GSM. The CEMA region is more like Asia Pacific, although Central and Eastern Europe are maturing rapidly in terms of GSM subscriber penetration. The Americas are gradually returning to growth, which is driven mainly by 3G deployments and professional services. Asia Pacific became the largest region in terms of sales, with turnkey network construction projects as the main growth contributor. GSM remains the predominant technology in the region, but 3G deployments have begun in several countries with additional licenses expected to be issued in additional countries during 2008. Similarly, 3G deployments are underway or about to begin in emerging markets such as Russia, Brazil and India. We continue to await China's decision on 3G deployments, but demand for GSM continues in the meantime. Although domestic suppliers have become more competitive and increased their share, Ericsson has maintained its market position in China. The Company expanded its leading position in rapidly growing India, while political unrest in certain markets negatively affected sales particularly during the second half of the year.

Margins and operating expenses

The Company's ambition is to generate a competitive return on sales. With best-in-class operating margins of 16 (20) percent and 13 (17) percent excluding Sony Ericsson, the Company continued to perform well, albeit at lower than recent year's levels due to the development within Networks previously described. Professional Services' operating margins were stable at 15 (14) percent even with the strong sales growth of managed services. Multimedia showed mixed results over the year and in general is performing at a break-even level despite the large R&D investments in IPTV and IMS. Sony Ericsson contributed 3.8 (3.2) percentage points to the operating margin.

Operating margin was lower as a result of Networks' gross margin facing unexpected pressure during the second half of the year. Operating expenses as a percentage of net sales increased slightly. Some of the acquired companies had a higher proportion of operating expenses relative to sales. The Company also increased sales and marketing expenses to support the integration and personnel training of Ericsson's sales and marketing staff to support the broader product portfolio.

With a slower market growth and increased pressure on margins, the Company will need to make larger than normal cost reductions. Therefore, an acceleration of operational excellence (i.e. process efficiency) activities will be undertaken. Cost savings of SEK 4 billion will be made with full effect in 2009. All parts of the business will be affected. The main focus areas are SG&A, sourcing, supply and service delivery. The one-time charges are estimated to be SEK 4 billion, which will be taken as each activity is decided.

Other income statement items

Ericsson's 50 percent share of Sony Ericsson Mobile Communications' pre-tax income increased from SEK 5.9 billion in 2006 to SEK 7.1 billion in 2007.

Other operating income declined to SEK 1.7 billion from SEK 3.9 billion in 2006, when Ericsson made a capital gain upon the divestment of the Defense business.

The financial net decreased slightly from SEK 0.2 billion in 2006 to SEK 0.01 billion in 2007 due to reduced cash and increased borrowings.

Income after financial items was SEK 30.7 (36.0) billion.

Net income attributable to stockholders of the Parent Company decreased to SEK 21.8 (26.3) billion. Diluted earnings per share were SEK 1.37 (1.65).

Balance Sheet

Total assets amounted to SEK 245.1 (214.9) billion at year-end. The main items contributing to the 14 percent increase were assets related to acquisitions and higher trade receivables, reflecting high seasonal business activity in the last quarter of the year due to a higher completion rate of large projects, especially in markets with longer payment terms.

Deferred tax assets decreased by SEK 1.9 billion net to SEK 11.7 billion. Utilization of tax loss carryforwards was SEK 2.5 billion while acquisitions added SEK 2.0 billion during the year.

Net cash decreased from SEK 40.7 billion to SEK 24.3 billion, mainly as a result of acquisition and build up of working capital for turnkey projects.

Maturing borrowings were refinanced. Long-term committed credit facilities were increased from USD 1 billion to USD 2 billion to improve flexibility to manage volatility if necessary. Payment readiness was 64.7 (67.5) billion.

Equity increased to SEK 135 (120.9) billion and the equity ratio decreased to 55.1 (56.2) percent.

Return on Capital Employed (ROCE) was 20.9 percent compared to 27.4 percent in 2006.

RETURN ON CAPITAL EMPLOYED 2005–2007

	Percent
2005	28.7
2006	27.4
2007	20.9

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 that is material to investors.

Cash flow

Cash flow from operating activities was SEK 19.2 (18.5) billion, of which SEK 12 (11) billion was generated in the fourth quarter. The strong ending of 2007 is mainly due to the decrease in working capital as a result of a high completion rate for turnkey projects. The cash conversion improved from 57 percent in 2006 to 66 percent in 2007. Net operating assets increased by SEK 10.1 billion, reflecting continued working capital build-up in turnkey projects and particulary in trade receivables (which increased by SEK 9.4 billion).

The scope of a managed services agreement was renegotiated to allow for network sharing. This resulted in advance payments of SEK 3.2 billion, of which half affected the operational cash flow and the other half affected financing activities.

Ericsson's share of Sony Ericsson's operating income before tax for 2007 was SEK 7.1 billion and SEK 3.9 billion was received as dividend during the year.

CASH FLOW

SEK billion	**2007**	2006	2005 [1]
Income reconciled to cash	**29.3**	32.5	35.1
Changes in operating net assets	**–10.1**	–14.0	–10.0
Cash flow from operating activities	**19.2**	18.5	25.1
Cash flow from investing activities	**–27.5**	–14.9	1.0
Cash flow before financing activities	**–8.3**	3.6	26.1
Cash flow before financing activities adjusted for acquisitions/divestments and short-term investments	**14.4**	12.4	19.6
Cash flow from financing activities	**6.3**	–15.4	–6.1
Cash conversion [2]	**66%**	57%	72%

[1] Excluding pension trust fund (Sweden).
[2] Cash flow from operating activities divided by net income reconciled to cash.

Cash flow from investing activities was SEK –27.5 (–14.9) billion, of which SEK –26.3 (–18.1) billion were used for acquisitions, SEK –4.7 (3.0) billion for capital expenditures and other investment activities and SEK 3.5 (6.2) billion in short-term investments. Cash flow before financing activities adjusted for the major acquisitions/divestments as well as the short-term investments amounted to 14.4 (12.4) billion. Cash flow from financing activities was SEK 6.3 (–15.4) billion and mainly consisted of a bond issue in the second quarter of SEK 11.1 billion less shareholder dividends of SEK 7.9 billion. 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 5.8 (5.8) billion.

Inventory Turnover (ITO) and Days Payable were improved somewhat compared to 2006. However, Days Sales Outstanding (DSO) increased due to growth in turnkey projects and in markets with longer payment terms. Efforts to further improve capital efficiency and cash conversion will continue.

WORKING CAPITAL EFFICIENCY MEASURES

	Target	**2007**	2006	2005
Days Sales Outstanding (DSO)	<90	**102**	85	81
Inventory Turnover (ITO)	>5.5	**5.2**	5.2	5.0
Payable Days	>60	**57**	54	52

Capital expenditures

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, the increase in capital expenditures from 2006 to 2007 came mainly from investments needed to support the rapidly growing services business and establish stronger presence in certain markets.

The following table summarizes annual capital expenditures during the five years ended December 31, 2007:

CAPITAL EXPENDITURES 2003–2007

SEK billion	2007	2006	2005	2004	2003
Capital expenditures	**4.3**	3.8	3.4	2.5	1.8
of which Sweden	**1.3**	1.0	1.0	1.1	1.1
as percent of net sales	**2.3%**	2.2%	2.2%	1.9%	1.5%

Excluding acquisitions, we do not expect capital expenditures in relation to sales to differ significantly in 2008, remaining at roughly 2 percent of sales. In addition to normal capital expenditures, there are commitments to repay SEK 3.1 billion of debt. With a net cash position at year-end of SEK 24.3 (40.7) billion, we expect the Company to be able to cover all capital expenditure plans and customer financing commitments for 2008 by using funds generated from operations with no additional borrowing required.

We believe the properties that the Company now occupies are suitable for its present needs in most locations. As of December 31, 2007, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

Credit ratings

Both Moody's and Standard & Poor's (S&P) credit rating agencies raised Ericsson's credit rating during 2007, although S&P lowered their outlook from stable to negative on November 27, 2007. 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 2005–2007

	2007	2006	2005
Moody's	**Baa1**	Baa2	Baa3
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. The Company reduced R&D lead time more than 25 percent this year and have reached their target of a 50 percent reduction in time to market one year ahead of plan.

R&D PROGRAM

	2007	2006	2005
Expenses (SEK billion)	**28.8**	27.5	24.1
As percent of sales	**15.4%**	15.3%	15.7%
Employees within R&D at December 31 [1]	**19,300**	17,000	16,500
Patents [1]	**23,000**	22,000	20,000

[1] The number of employees and patents are approximate.

During 2008, R&D expenses, including the amortization of intangible assets from acquisitions, are expected to remain roughly the same in absolute terms as for the annualized run rate during the second half of 2007, i.e. ~SEK 30–31 billion. Currency translation effects could affect the actual level of reported spending.

Partnerships and joint ventures

During 2007, Sony Ericsson Mobile Communications reported strong unit volume and sales increases, which caused their income before tax to improve significantly from last year. The improved performance is mainly the result of focusing on imaging, music and enterprise phones, while at the same time increasing the number of lower priced models. Sony Ericsson's ambition is to achieve continued profitable growth through the combination of technologies and expertise from their parent companies to better leverage their own capabilities.

Each parent company was paid a dividend of EUR 424 million. The joint venture results are accounted for in accordance with the equity method. For more information, see also Notes to the Consolidated Financial Statements – Note C1, "Significant Accounting Policies".

SONY ERICSSON RESULTS 2005–2007

	2007	Percent change	2006	2005
Units sold (millions)	**103.4**	38%	74.8	51.2
Sales (EUR m.)	**12,916**	18%	10,959	7,268
Income before tax (EUR m.)	**1,574**	21%	1,298	512
Net income (EUR m.)	**1,114**	12%	997	350
Ericsson's share of income before tax (SEK billion)	**7.1**	21%	5.9	2.3

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

Acquisitions and divestments

Acquisitions or divestments completed during 2005, 2006 or 2007 are described in the tables ”Acquisitions 2005–2007” and “Divestments 2005–2007”.

In total, the Company has spent SEK 42.4 billion net in acquisitions/divestments during the last three years (2005–2007).

Acquisitions were made for SEK 26.3 billion in 2007, SEK 18.1 billion in 2006 and SEK 1.2 billion in 2005. Divestments were made for SEK 0.1 billion in 2007, SEK 3.1 billion in 2006 and SEK 0.03 billion in 2005. For more information, please see Notes to the Consolidated Financial Statements, Note C26 “Business Combinations”.

ACQUISITIONS 2005–2007

Company	Description	Date
HyC	Spanish company with around 110 employees that specialize in design and systems integration of IPTV networks.	Dec 30, 2007
LHS	German provider of post-paid billing and customer care systems for wireless, wireline, and IP telecom markets. Purchase price SEK 2.7 billion.	Oct 1, 2007
Drutt	Swedish company, with around 85 employees, that develops Mobile Service Delivery Platform which enables mobile operators to mobilize and charge for any content to any device, over any delivery channel.	June 28, 2007
Tandberg Television	Norwegian global supplier of products for digital TV solutions, including IPTV, HDTV, video on demand, advertising on demand and interactive TV applications. Purchase price SEK 9.8 billion.	May 1, 2007
Mobeon	Swedish company, with around 130 employees that develop IP messaging software technology.	Mar 15, 2007
Entrisphere	US-based company, with around 140 employees, that develops gigabit passive optical network (GPON) technology for fixed broadband access, i.e. FTTx.	Feb 12, 2007
Redback Networks	US supplier of multi-service routing platform for broadband services such as VoIP, IPTV and Video On-Demand. Purchase price SEK 14.8 billion.	Jan 23, 2007
Distocraft Oy	Assets of Finnish company specialized in software development and with around 40 employees that develop mobile network performance management systems.	Aug 31, 2006
Netwise	Swedish-based supplier of software for presence management, team collaboration, integration of mobile phones, IP telephony and multimedia for enterprise.	Aug 11, 2006
Marconi assets	Certain assets related to broadband access, optical and radio transmission, data networks and service layer were acquired from UK-based Marconi. Purchase price SEK 19.4 billion.	Jan 23, 2006
TUSC	Australian company, with around 80 employees, specializes in systems integration for telecommunications, utilities and enterprises.	Nov 24, 2005
Axxessit	Norway-based technology company that supplies multi-service next-generation SDH metro transmission equipment.	Sept 13, 2005
Teleca OSS	Swedish company with around 40 employees, supplier of service assurance, network management and operator charging solutions as well as other tools to improve the quality of operator services toward consumers.	July 4, 2005
NetSpira Networks	Spanish company with around 20 employees, that provides software for content aware and event based charging.	June 3, 2005
Ericsson S.p.A.	In the first quarter 2005, a Residual Public Offer was launched for the remaining shares in Ericsson S.p.A. in Italy and subsequently Ericsson S.p.A. was delisted from the Milan Stock Exchange. Purchase price SEK 0.6 billion.	1Q 2005

DIVESTMENTS 2005-2007

Company	Description	Date
Ericsson Microwave Systems (EMW)	Swedish provider of radar, command and control systems for defense applications. Cash flow effect SEK 3.1 billion.	Sept 1, 2006
Shares in Anoto	Swedish company that licenses a digital pen and paper technology.	May 30, 2005

Material contracts and contractual obligations

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.

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 2007

		Payment due by period			
(SEK million)	Total	<1 year	1–3 years	3–5 years	>5 years
Long-term debt [1][2]	23,659	3,625	7,968	3,630	8,436
Capital lease obligations [3]	1,875	171	284	210	1,210
Operating leases [3]	11,895	3,147	3,708	2,308	2,732
Other non-current liabilities	1,714	102	132	147	1,333
Purchase obligations [4]	9,376	9,376	–	–	–
Trade Payables	17,427	17,427	–	–	–
Commitments for customer financing [5]	4,185	4,185	–	–	–
Total	**70,131**	**38,033**	**12,092**	**6,295**	**13,711**

1) Including interest payments.
2) See also Notes to the Consolidated Financial Statements – Note C20, “Financial Risk Management and Financial Instruments”.
3) See also Notes to the Consolidated Financial Statements – Note C27, “Leasing”.
4) The amounts of purchase obligations are gross, before deduction of any related provisions.
5) See also Notes to the Consolidated Financial Statements – Note C14, “Trade Receivables and Customer Financing”.

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 or member of management.
A separate Corporate Responsibility Report is also published, addressing Ericsson’s activities regarding social responsibility, environmental and human resource issues.
The corporate bodies involved in the governance of Ericsson are:

- The shareholders through voting in annual general meetings or extraordinary general meetings and their appointed Nomination Committee for nomination of members of the Board and auditors
- The Board of Directors and its Finance, Remuneration and Audit Committees
- The President and CEO
- The management
- The external auditors

The Board of Directors works according to Work Procedures that outlines rules regarding the distribution of tasks between the Board and its Committees as well as between the Board, its Committees and the President and CEO. The external auditors examine the financial reports and assess the management by the Board of Directors and the President and CEO.

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

- Ericsson’s organization, with its segregation of duties distribution of work and delegation of authority.
- Group policies and directives, including a Code of Business Ethics.
- Group-wide standard business processes, including processes for strategy and target setting as well as operational processes and processes for accounting, financial reporting and disclosure.

For more information regarding the Board of Directors and its committees, please see the Corporate Governance Report.

Changes to the Board membership

The Board of Directors is elected each year at the Annual General Meeting for the period until the next Annual General Meeting. At the Annual General Meeting on April 11, 2007, the following board members were re-elected: Michael Treschow as Chairman of the Board, Marcus Wallenberg and Sverker Martin-Löf as Deputy Chairmen, Sir Peter L. Bonfield, Ulf J. Johansson, Nancy McKinstry, Börje Ekholm, Katherine Hudson, Anders Nyrén and Carl-Henric Svanberg.

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. 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.

Risk Management

Risk taking is an inherent part of doing business. Risks and opportunities are managed in our strategy and target setting processes and in all operational processes. Risks are identified, probability of occurrence assessed and potential consequences estimated. Actions are then taken to reduce or mitigate the risk exposures and limit potential unfavorable consequences. Controls and monitoring activities are in place to ensure effective risk management.

We broadly categorize risks into operational risks and financial risks. We also manage risks related to financial reporting and compliance with applicable laws and regulations. Our approach to risk management reflects the scale and diversity of our business activities and balances central coordination and support with delegated risk management responsibilities within each operational unit.

For more information on risks related to our business, see also Risk Factors on page 105.

Operational risk management

Risk management has been integrated within the Ericsson Group Management System and each business process. The operational risk management framework applies universally across all business activities 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 and within ongoing operations by transaction (e.g. customer bids/contracts, acquisitions, investments, product development projects) and by process.
- 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 planning and target setting for the upcoming year. The five-year strategy and one-year targets are approved annually by the Board of Directors.
- 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 risks, such as information security/IT risks, corporate responsibility risks, physical security risks 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

We have an established policy governing the Group's 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, which represented approximately 50 percent of sales in 2007. Spending exposure towards USD was approximately 35 percent. A variety of hedging activities are used to manage parts of the 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,
- 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 2007, 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 objectives, policies and strategies for financial risk management, see Notes to the Consolidated Financial Statements – Note C14, Trade Receivables and Customer Financing, 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, we have adopted accounting policies and implemented financial reporting and disclosure processes and controls. Please refer to the report on internal control over financial reporting, included in our Corporate Governance Report.

Compliance Risks

The Company have implemented a number of policies 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 in the areas of trade compliance, fraud, security, health and safety, the environment and supply chain management. During 2007, the Company also included audits of the internal implementation of the Code of Conduct.

Corporate Responsibility

Corporate Responsibility (CR) is about integrating the environmental, social and ethical imperatives into the way the Company works and throughout its value chain. The Company ensures that it has the controls in place to minimize risks and also strives to generate positive business impacts by connecting the core business to the betterment of society. Ericsson believes this leads to an enduring capability for value creation as well as a competitive advantage.

Ericsson supports the UN Global Compact and its ten guiding principles. The Company sees these principles not only as guiding principles, but also as a prerequisite for sound, long-term business. As such, Ericsson is committed to responsible business practices for sustainable economic growth from which all the Company's stakeholders benefit. This commitment to employees, customers, shareholders and the broader global community is underscored by external recognition of the Company's efforts. During 2007, Ericsson was again included in the FTSE 4Good and was the only company in its sector to be noted on the Carbon Disclosure Project's (CDP) global leadership index, and ranked 3rd overall on the CDP's Nordic Index.

Ericsson publishes a separate Corporate Responsibility Report annually, which provides comprehensive information about the Company's corporate responsibility and related activities.

Human Rights

Ericsson believes that publicly available and affordable telecommunications is a fundamental prerequisite for social and economic development. As one of the world's largest providers of communications equipment and services, the Company plays a vital role in achieving this objective, especially in emerging markets. Ericsson joined the Business Leaders' Initiative on Human Rights (BLIHR) in 2006. BLIHR aims to find practical applications of the Universal Declaration of Human Rights within a business context and to inspire other businesses to do likewise. Ericsson's participation in BLIHR reinforces a longstanding commitment to human rights and corporate responsibility activities.

Ericsson has undertaken a number of measures to demonstrate that it is a force for good in emerging markets. For example, during 2007 Ericsson commissioned McGrigors Rights, an independent third party, to perform a Human Rights Impact Assessment on Ericsson's operations in Sudan. Overall it was concluded that Ericsson can demonstrate non-complicity in human rights abuses and convincing "substantial actions" for investors and concerned stakeholders regarding its business operations in Sudan. The full results are presented in Ericsson's

2007 Corporate Responsibility Report. It should be noted that Ericsson is not included on the Sudan Divestment Task Force's list of divestment targets.

Community Involvement

The Company is committed to being a responsible member of the global society and of the local communities in which it operates. During 2007, a CR Sponsorship Directive was established to ensure that all CR sponsorships are connected to the use of telecommunications to support social and/or environmental causes.

Ericsson believes that telecommunication, by its very nature, has a constructive role to play in the proactive engagement in local economic, environmental and social challenges. Ericsson is encouraging economic growth in emerging markets through its Communication for All program.

Ericsson Response is a global initiative to rapidly provide IT, communication solutions and telecom experts anywhere in the world in response to human suffering caused by disasters. Ericsson Response assists the disaster relief operations of the UN Office for the Coordination of Humanitarian Affairs (OCHA), UN World Food Programme (WFP) and the International Federation of Red Cross and Red Crescent Societies (IFRC).

During 2007, after an earthquake in Peru, Ericsson Response provided support to the relief operation in cooperation with IFRC. In cooperation with the Swedish Rescue Services Agency (SRSA), Ericsson Response supported the UN in the establishment of operational offices in the Central African Republic. In addition, Ericsson was the winner of the 2007 PMI (Project Management Institute) Community Advancement Through Project Management Award.

Employees are encouraged and empowered to make positive individual contributions to the world around them. Their contributions take many forms, determined by the employees according to local needs. For example, they may be in the fields of health care, social and humanitarian aid, scholarships and other educational support, art and culture, the environment or children's welfare as well as many other activities.

Energy and Environment

Ericsson's most significant environmental impact relates to the energy consumed by the operation of its products during their active life time. The Company has set ambitious targets in this area. By the end of 2008, the Company intends to improve the energy efficiency of its 3G/WCDMA radio base station portfolio by up to 80 percent, from a 2001 baseline. Performance on annual improvement targets is included in the Corporate Responsibility Report.

The Company continues to work actively in developing energy efficient products and green site solutions, including solar, wind, fuel cell and biofuel technologies. Ericsson introduced a number of innovative hardware and software solutions during the year, including the radio base station power saving feature, and the Ericsson Tower Tube – a completely new, environmentally designed, site concept.

During 2007, Ericsson was awarded both the Elektra European Electronic Industry Clean Design award for its energy efficient power modules and the Energy-Efficiency Innovation award by the China Center for Information Industry Development (CCID).

We believe that the Company is in compliance with all material environmental, health and safety laws and regulations required by its operations and business activities. Ericsson provides public information on radio waves and health and supports independent research to further increase knowledge in this area. Ericsson currently co-sponsors more than 45 different ongoing research projects related to electromagnetic fields (EMF), radio waves and health. Since 1996 the Company has supported more than 90 studies. Public health authorities and independent expert groups have reviewed the total amount of research. They have 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.

From August 13, 2005, Ericsson has complied with the EU Directive on Waste Electrical and Electronic Equipment (WEEE). Ericsson's global end-of-life treatment program is called the Ecology Management Provision, and was initiated three years before the WEEE requirements became law in the EU. This proactive approach gives Ericsson an effective tool to meet waste-management challenges in all markets around the world. From July 1, 2006, Ericsson is in compliance with the EU Directive on Reduction of Hazardous Substances (RoHS). Ericsson is assessing the effects of the June 1, 2007, European Community's REACH (Registration, Evaluation, Authorization and limitation of Chemicals) regulation to ensure timely compliance with its requirements.

Employees

Every year, an employee opinion survey is conducted with a high level of employee participation. The continued high participation rate of 90 percent reflects employee recognition that management actively uses the survey as a tool to further develop the workforce satisfaction and performance. Management's main ambition going forward is to sustain the current level of excellence and encourage an even higher level of employee participation.

Employee headcount at year-end was 74,011 (63,781). Most of the additions were due to acquisitions of Redback, Tandberg and LHS as well as part of outsourcing agreements with operators to support the growing managed services business. During the year, 6,657 (6,432) employees departed while 16,887 (14,158) joined the Company. Please see Notes to the Consolidated Financial Statements – Note C29, Information Regarding Employees, Members of the Board of Directors and Management.

Executive Remuneration

The Board, through its Remuneration Committee continues to be mindful of the debates around the world on executive salaries and benefits. We remain confident that current policies and practices concerning authorization, compliance and control of senior executive remuneration within Ericsson are appropriate and reasonable. Principles for remuneration and other employment terms for top executives were approved by the Annual General Meeting 2007 and are further described in Notes to the Consolidated Financial Statements –Note C29, Information Regarding Employees, Members of the Board of Directors and Management.

The proposed remuneration policy for Group Management for 2008 remains materially the same as the policy resolved by shareholders for 2007, which is described in Note 29.

The Board of Directors' proposal for implementation of a Long Term Variable compensation plan for 2007 and transfer of shares in connection therewith was not approved by shareholders at the Annual General Meeting on April 11, 2007. At a subsequent Extraordinary General Meeting on June 28, 2007, Ericsson shareholders agreed and approved a slightly modified Long Term Variable Compensation Program 2007 for all employees. As of December 31, 2007, 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. Please see Notes to the Consolidated Financial Statements – Note C29, Information Regarding Employees, Members of the Board of Directors and Management.

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. At the conclusion of various pending procedural motions and after plaintiffs file a consolidated amended class action complaint, Ericsson intends to seek the dismissal of the lawsuits.

Following issuance of the third-quarter profit warning, the OMX Nordic Exchange Stockholm brought an inquiry to determine whether the Company appropriately issued the profit warning and made appropriate disclosure at the November 20 management briefing. The Company believes it has complied fully with all stock market and other obligations, and is cooperating fully with the inquiry. The Financial Services Authority in England has initiated a similar inquiry.

Ericsson, Sony Ericsson Mobile Communications and the Korean handset manufacturer Samsung have settled the companies' multiple patent litigations in the US, UK, Germany and the Netherlands, including the proceedings in the US International Trade Commission (ITC) under Section 337 of the Tariff Act of 1930.

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. At the same time, Broadcom, NEC, Nokia, Panasonic Mobile Communications and Texas Instruments each filed similar complaints claiming Qualcomm is violating EU competition law and failing to meet the commitments Qualcomm made to international standardization bodies around the world that it would license its technology on fair, reasonable and non-discriminatory terms. The Commission opened a first-phase investigation in December of 2005. 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 six class action lawsuits in the United States where plaintiffs alleged that adverse health effects could be associated with the use of mobile phones. In 2006, plaintiffs voluntarily dismissed four of those lawsuits. The two remaining cases are currently pending in the federal court in Pennsylvania and the Superior Court of the District of Columbia.

In another suit filed in the US, Freedom Wireless Inc., a technology company, sued Cingular Wireless LLC and Ericsson claiming the two defendants built their prepaid wireless telephone service on Freedom Wireless' patents that allow mobile telephone customers to purchase increments of airtime for any mobile phone.

Ericsson is engaged in litigation with an Australian company, QPSX, in the Federal Court of Australia. QPSX's claim relates to an alleged breach by Ericsson of a patent license agreement. Ericsson has contested the claim. In April 2007, QPSX filed a patent infringement lawsuit against Ericsson et al. in the Eastern District of Texas alleging Ericsson infringed a QPSX patent related to asynchronous transfer mode ("ATM") technology.

In December 2006, the Stockholm City Court acquitted 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. This judgment has in part been appealed by the prosecutor. The Svea Court of Appeals will hold its main hearing in the first half of 2008.

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.

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 55 (51) branch and representative offices.

Net sales for the year were SEK 3.2 (2.6) billion and income after financial items was SEK 14.7 (13.6) billion. Patent license fees are included in net sales from 2007, instead of in other operating income and expenses. Prior years have been restated accordingly. Exports accounted for 59 percent of net sales in 2007 (63 percent of adjusted net sales in 2006). No consolidated companies were customers of the Parent Company's sales in 2007 or 2006, while 46 percent (29 percent in 2006) of the 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 increased investments in subsidiaries of SEK 30.3 billion, mostly attributable to the Tandberg, Redback, Entrisphere and LHS acquisitions; decreased other current receivables of SEK 2.2 billion; decreased cash and bank and short-term investments of SEK 8.4 billion; increased notes and bond loans of SEK 11.1 billion through the bond issue program; and increased current and non-current liabilities to subsidiaries increased by SEK 4.7 billion. At year-end, cash and bank and short-term investments amounted to SEK 45.6 (54.0) billion.

As per December 31, 2007, Ericsson had 16,132,258,678 shares. The shares were divided into 1,308,779,918 Class A shares, each carrying one vote, and 14,823,478,760 Class B shares, each carrying one-tenth of one vote. The two largest shareholders at year-end were Investor and Industrivärden holding 19.49 percent and 13.36 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, 19,022,349 shares from treasury stock were sold or distributed to employees during the year. The quota value of these shares is SEK 19.0 million, representing less than 1 percent of capital stock, and compensation received amounted to SEK 103.7 million. The holding of treasury stock at December 31, 2007, was 231,991,543 Class B shares. The quota value of these shares is SEK 232.0 million, representing 1 percent of capital stock and related acquisition cost amounts to SEK 516.2 million.

Proposed disposition of earnings

The Board of Directors proposes that a dividend of SEK 0.50 (0.50) per share be paid to shareholders duly registered on the record date of April 14, 2008, and that the 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 Company on the record date, the Board of Directors proposes that earnings be distributed as follows:

Amount to be paid to the shareholders	SEK 8,066,129,339
Amount to be retained by the Parent Company	SEK 27,158,601,830
Total non-restricted equity of the Parent Company	SEK 35,224,731,169

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 55.1 (56.2) percent and net cash amounts to SEK 24.3 (40.7) 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

Divestment of enterprise PBX solutions

On February 18,2008, Ericsson announced the divestment of its enterprise PBX solutions business to the Canadian company Aastra Technologies. The agreement involves transfer of approximately 630 employees of which some 360 are based in Sweden. The transaction is expected to close in April 2008.

Ericsson's enterprise PBX solutions business includes IP PBX, converged PBX systems and branch office solutions. Sales in 2007 amounted to approximately SEK 3 billion. The purchase price is SEK 650 million excluding net of assets and liabilities. A capital gain of approximately SEK 200 million is expected.

Board assurance

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial position and results of operations.

The Board of Directors' Report for the Ericsson Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm February 22, 2008
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Torbjörn Nyman *Member of the Board*	Monica Bergström *Member of the Board*	Jan Hedlund *Member of the Board*
	Carl-Henric Svanberg *President and CEO*	