

Consolidated Income Statement

Years ended December 31, SEK million	Notes	2007	2006 ¹⁾	2005 ¹⁾
Net sales	C3, C4	187,780	179,821	153,222
Cost of sales		-114,059	-104,875	-82,764
Gross margin		73,721	74,946	70,458
Research and development expenses		-28,842	-27,533	-24,059
Selling and administrative expenses		-23,199	-21,422	-16,800
Operating expenses		-52,041	-48,955	-40,859
Other operating income and expenses	C6	1,734	3,903	1,090
Share in earnings of joint ventures and associated companies	C12	7,232	5,934	2,395
Operating income		30,646	35,828	33,084
Financial income	C7	1,778	1,954	2,653
Financial expenses	C7	-1,695	-1,789	-2,402
Income after financial items		30,729	35,993	33,335
Taxes	C8	-8,594	-9,557	-8,875
Net income		22,135	26,436	24,460
Net income attributable to:				
Stockholders of the Parent Company		21,836	26,251	24,315
Minority interest		299	185	145
Other information				
Average number of shares, basic (million)	C9	15,891	15,871	15,843
Earnings per share attributable to stockholders of the Parent Company, basic (SEK)	C9	1.37	1.65	1.53
Earnings per share attributable to stockholders of the Parent Company, diluted (SEK)	C9	1.37	1.65	1.53

¹⁾ Revenues for intellectual property rights (IPR) related to products are included in Net sales instead of Other operating income. In 2006, SEK 2,038 million (SEK 1,400 million in 2005) of Other operating income were reclassified. Accordingly, the related cost previously reported as part of Research and development expenses is reported as Cost of sales or Selling and administrative expenses, depending on the nature of the cost. In 2006, SEK 388 million (SEK 395 million in 2005) of the costs were reclassified.

Consolidated Balance Sheet

December 31, SEK million	Notes	2007	2006
ASSETS			
Non-current assets			
Intangible assets	C10		
Capitalized development expenses		3,661	4,995
Goodwill		22,826	6,824
Intellectual property rights, brands and other intangible assets		23,958	15,649
Property, plant and equipment	C11, C26, C27	9,304	7,881
Financial assets			
Equity in joint ventures and associated companies	C12	10,903	9,409
Other investments in shares and participations	C12	738	721
Customer financing, non-current	C12	1,012	1,921
Other financial assets, non-current	C12	2,918	2,409
Deferred tax assets	C8	11,690	13,564
		87,010	63,373
Current assets			
Inventories	C13	22,475	21,470
Trade receivables	C14	60,492	51,070
Customer financing, current		2,362	1,735
Other current receivables	C15	15,062	15,012
Short-term investments	C20	29,406	32,311
Cash and cash equivalents	C20	28,310	29,969
		158,107	151,567
Total assets		245,117	214,940
EQUITY AND LIABILITIES			
Equity			
Stockholders' equity	C16	134,112	120,113
Minority interest in equity of subsidiaries	C16	940	782
		135,052	120,895
Non-current liabilities			
Post-employment benefits	C17	6,188	6,968
Provisions, non-current	C18	368	602
Deferred tax liabilities	C8	2,799	382
Borrowings, non-current	C19, C20	21,320	12,904
Other non-current liabilities		1,714	2,868
		32,389	23,724
Current liabilities			
Provisions, current	C18	9,358	13,280
Borrowings, current	C19, C20	5,896	1,680
Trade payables	C22	17,427	18,183
Other current liabilities	C21	44,995	37,178
		77,676	70,321
Total equity and liabilities ¹⁾		245,117	214,940

¹⁾ Of which interest-bearing liabilities and post-employment benefits SEK 33,404 million (SEK 21,552 million in 2006).

Consolidated Statement of Cash Flows

Years ended December 31, SEK million	Notes	2007	2006	2005
Operating activities				
Net income		22,135	26,436 ¹⁾	24,460 ¹⁾
Adjustments to reconcile net income to cash	C25	7,172	6,060 ¹⁾	10,700 ¹⁾
		29,307	32,496	35,160
Changes in operating net assets				
Inventories		-445	-2,553	-3,668
Customer financing, current and non-current		365	1,186	-641
Trade receivables		-7,467	-10,563	-5,874
Provisions and post-employment benefits		-4,401	-3,729	-15,574
Other operating assets and liabilities, net		1,851	1,652	7,266
		-10,097	-14,007	-18,491
Cash flow from operating activities		19,210	18,489	16,669
Investing activities				
Investments in property, plant and equipment	C11	-4,319	-3,827	-3,365
Sales of property, plant and equipment		152	185	362
Acquisitions of subsidiaries and other operations	C26	-26,292	-18,078	-1,210
Divestments of subsidiaries and other operations	C26	84	3,086	30
Product development	C10	-1,053	-1,353	-1,174
Other investing activities		396	-1,070	13
Short-term Investments		3,499	6,180	6,375
Cash flow from investing activities		-27,533	-14,877	1,031
Cash flow before financing activities		-8,323	3,612	17,700
Financing activities				
Proceeds from issuance of borrowings		15,587	1,290	657
Repayment of borrowings		-1,291	-9,510	-2,784
Sale of own stock and options exercised		94	124	174
Dividends paid		-8,132	-7,343	-4,133
Cash flow from financing activities		6,258	-15,439	-6,086
Effect of exchange rate changes on cash		406	58	-288
Net change in cash		-1,659	-11,769	11,326
Cash and cash equivalents, beginning of period		29,969	41,738	30,412
Cash and cash equivalents, end of period	C20	28,310	29,969	41,738

¹⁾ Minority interest is reported as Net income instead of Adjustments to reconcile net income to cash.
In 2006, SEK 185 million (2005 SEK 145 million) have been reclassified.

Consolidated Statement of Recognized Income and Expense

Years ended December 31, SEK million	2007	2006	2005 ¹⁾
Income and expense recognized directly in equity:			
Actuarial gains and losses related to pensions	1,208	440	-3,221
Revaluation of other investments in shares and participations			
Fair value remeasurement reported in equity	2	-1	-3
Transferred to income statement at sale	-	-	-147
Cash Flow hedges:			
Fair value remeasurement of derivatives reported in equity	584	4,100	-3,961
Transferred to income statement for the period	-1,390	-1,990	1,404
Transferred to balance sheet for the period	-	99	-
Changes in cumulative translation adjustments	-797	-3,119	4,265
Tax on items reported directly in/or transferred from equity	-73	-769	1,523
Total transactions reported in equity	-466	-1,240	-140
Net income	22,135	26,436	24,460
Total income and expense recognized for the period	21,669	25,196	24,320
Attributable to:			
Stockholders of the Parent Company	21,371	25,101	24,028
Minority interest	298	95	292

¹⁾ As from January 1, 2006, Ericsson has adopted the new option in IAS 19 to charge actuarial gains/losses to equity. Earlier periods have been restated accordingly.