

Notes to the Parent Company Financial Statements

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P1 Significant Accounting Policies

The Parent Company, Telefonaktiebolaget LM Ericsson, adopted RR32 "Reporting in separate financial statements" from January 1, 2005. The adoption of RR32 has not had any effect on reported profit or loss for 2005. The amended RR32:06 (from 2007) requires the Parent Company to use the same accounting principles as for the Group, i.e. IFRS to the extent allowed by RR32:06.

The main deviations between accounting policies adopted for the Group and accounting policies for the Parent Company are:

Subsidiaries, associated companies and joint ventures

The investments are accounted for according to the acquisition cost method. Investments are carried at cost and only dividends are accounted for in the income statement. An impairment test is performed annually and write-downs are made when permanent decline in value is established.

Contributions to/from subsidiaries and shareholders' contributions are accounted for according to URA7 issued by the Swedish Financial Reporting Board. Contributions to/from Swedish subsidiaries are reported directly in equity, net of taxes, as these transactions are aimed at reducing the Swedish taxes. Shareholders' contributions increase the Parent Company's investments.

Classification and measurement of financial instruments

IAS 39 Financial Instruments: Recognition and Measurement was adopted from January 1, 2006, except regarding financial guarantees where the exception allowed in RR32:06 was chosen.

The comparison figures for 2005 are accounted for according to the Annual Accounts Act. The main deviations are:

- Short-term investments, interest and foreign exchange derivatives are carried at lowest of amortized cost and fair value.
- Foreign exchange derivatives are recognized in the balance sheet at fair value to offset value changes in the hedged item. Effects from foreign exchange derivatives hedging future transactions are deferred to offset the hedged transaction. Interest rate derivatives hedging loans or investments are valued in the same way as the underlying transaction.
- Bonds issued by the Parent Company are carried at amortized cost.

There were no material effects on the opening balances January 1, 2006, as the derivatives had a negative fair value in the closing balance December 31, 2005. Restatement of opening balances has been performed. Remeasured opening balances include other current receivables and liabilities, current maturities of long-term borrowings and notes and bond loans, other investments in shares and stockholders' equity. All remeasured balances, except for other investments in shares, are derivatives.

Leasing

The Parent Company has one rental agreement which is accounted for as a finance lease in the consolidated statements and as an

operating lease in the Parent Company financial statements.

Deferred taxes

The accounting of untaxed reserves in the balance sheet results in different accounting of deferred taxes as compared to the principles applied in the consolidated statements. Swedish GAAP and tax regulations require a company to report certain differences between the tax basis and book value as an untaxed reserve in the balance sheet of the stand-alone financial statements. Changes to these reserves are reported as an addition to, or withdrawal from, untaxed reserves in the income statement.

Pensions

Pensions are accounted for in accordance with the recommendation FAR 4 "Accounting for pension liability and pension cost" from the Swedish Institute of Authorized Public Accountants. According to RR 32:06, IAS 19 shall be adopted regarding supplementary disclosures when applicable.

Statement of cash flows

Cash and short-term investments include financial instruments with maturity up to 12 months from the balance sheet date.

Critical accounting estimates and judgments

Please see Notes to the Consolidated Financial Statements, Note C2 – "Critical Accounting Estimates and Judgments". Major critical accounting estimates and judgments applicable to the Parent Company include Trade and customer financing receivables and Acquired intellectual property rights and other intangible assets, excluding goodwill.

P2 Segment Information

NET SALES	2007	2006	2005
Western Europe ^{1) 2)}	1,478	1,093	654
Central and Eastern Europe, Middle East & Africa	33	543	1,047
Asia Pacific	1,383	915	760
North America	304	31	28
Latin America	38	19	8
Total	3,236	2,601	2,497
¹⁾ Of which Sweden	1,336	964	430
²⁾ Of which EU	1,478	1,093	654

Parent Company net sales in Sweden are mainly related to business segment Multimedia, and the remaining part of net sales are mainly related to business segment Networks.

P3 Other Operating Income and Expenses

	2007	2006	2005
Royalties, license fees and other operating revenues			
Subsidiary companies	2,058	2,018	1,728
Other	667	323	240
Net losses (-) on sales of tangible assets	-2	-2	-4
Total	2,723	2,339	1,964

P4 Financial Income and Expenses

	2007	2006	2005
Financial Income			
Result from participations in subsidiary companies			
Dividends	4,308	4,830	3,804
Net gains on sales	2,345	3,673	6,774
Result from participations in JV and associated companies			
Dividends	4,216	1,258	25
Net gains on sales	20	-	-
Result from other securities and receivables accounted for as fixed assets			
Dividends	-	-	6
Other interest income and similar profit/loss items			
Subsidiary companies	1,641	1,611	1,267
Other	1,217	1,439	1,659
Total	13,747	12,811	13,535
Financial Expenses			
Losses on sales of participations in subsidiary companies	-213	-222	-14
Write-down of investments in subsidiary companies	-1,061	-556	-106
Losses on sale of participations in other companies	-	-	-7
Write-down of participations in other companies	-	-3	-
Interest expenses and similar profit/loss items			
Subsidiary companies	-995	-1,067	-1,115
Other	-918	-652	-1,445
Other financial expenses	-75	-49	-13
Total	-3,262	-2,549	-2,700
Financial net	10,485	10,262	10,835

Interest expenses on pension liabilities are included in the interest expenses shown above.

P5 Taxes

Income taxes recognized in income statement

The following items are included in Taxes:

	2007	2006	2005
Current income tax on contributions, net	-1,194	-548	1,254
Other current income taxes	-259	-291	-511
Current income taxes related to prior years	-49	124	326
Deferred tax income/expense (-)	187	-474	-1,650
Taxes	-1,315	-1,189	-581

Reconciliation of actual income tax rate to the Swedish income tax rate:

	2007	2006	2005
Tax rate in Sweden	-28.0%	-28.0%	-28.0%
Current income taxes related to prior years	-0.3%	0.9%	2.3%
Tax effect of non-deductible expenses	-0.8%	-0.9%	-0.3%
Tax effect of non-taxable income	22.0%	20.4%	22.0%
Tax effect related to write-downs of investments in subsidiary companies	-2.0%	-1.2%	-0.2%
Taxes	-9.1%	-8.8%	-4.2%

Deferred tax balances

Tax effects of temporary differences have resulted in deferred tax assets as follows:

	2007	2006
Deferred tax assets	589	403

Deferred tax assets refer mainly to pensions, customer financing and intellectual property rights.

P6 Intangible Assets

PATENTS, LICENSES, TRADEMARKS AND SIMILAR RIGHTS		
	2007	2006
Accumulated acquisition costs		
Opening balance	3,314	222
Acquisitions	579	3,092
Closing balance	3,893	3,314
Accumulated amortization		
Opening balance	-514	-204
Amortization	-390	-310
Closing balance	-904	-514
Net carrying value	2,989	2,800

Acquisitions for the year relate mainly to Redback trademarks and 2006 relate mainly to Marconi trademarks. The useful life and amortization period for the trademarks has been set to 10 years.

P7 Tangible Assets

	Land and buildings	Other equipment and installations	Construction in process and advance payments	Total
2007				
Accumulated acquisition costs				
Opening balance	23	576	47	646
Additions	-	45	217	262
Sales/disposals	-10	-1	-	-11
Reclassifications	-	91	-91	-
Closing balance	13	711	173	897
Accumulated depreciation				
Opening balance	-2	-344	-	-346
Depreciation	-	-111	-	-111
Sales/disposals	2	1	-	3
Closing balance	-	-454	-	-454
Net carrying value	13	257	173	443
2006				
Accumulated acquisition costs				
Opening balance	23	580	39	642
Additions	-	29	103	132
Sales/disposals	-	-128	-	-128
Reclassifications	-	95	-95	-
Closing balance	23	576	47	646
Accumulated depreciation				
Opening balance	-2	-322	-	-324
Depreciation	-	-92	-	-92
Sales/disposals	-	70	-	70
Reclassifications	-	-	-	-
Closing balance	-2	-344	-	-346
Net carrying value	21	232	47	300

P8 Financial Assets

INVESTMENTS IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATED COMPANIES						
	Subsidiary companies		Joint ventures		Associated companies	
	2007	2006	2007	2006	2007	2006
Opening balance	51,124	53,066	4,136	4,136	333	338
Acquisitions and stock issues	35,463	538	-	-	-	-
Shareholders' contribution	-3,439	-1,435	-	-	-	-
Write-downs	-1,061	-556	-	-	-	-
Reclassifications	-	3	-	-	-	-3
Disposals	-681	-492	-	-	-3	-2
Closing balance	81,406	51,124	4,136	4,136	330	333
OTHER FINANCIAL ASSETS						
	Other investments in shares and participations		Customer financing, non-current ¹⁾		Other financial assets, non-current	
	2007	2006	2007	2006	2007	2006
Accumulated acquisition costs						
Opening balance	28	24	1,765	2,175	401	357
Effect of changed accounting principle, IAS 39	3	3	-	-	-	-
Additions	453	1	646	1,185	-	114
Disposals/repayments/deductions	-	-	-1,593	-1,502	-43	-70
Reclassifications	-	-	-	-35	-	-
Translation difference	-	-	-18	-58	-	-
Closing balance	484	28	800	1,765	358	401
Accumulated write-downs/allowances						
Opening balance	-9	-6	-203	-944	-	-
Write-downs/allowances	-	-3	-8	-32	-	-
Disposals/repayments/deductions	-	-	160	718	-	-
Reclassifications	-	-	-	31	-	-
Translation difference	-	-	2	24	-	-
Closing balance	-9	-9	-49	-203	-	-
Net carrying value	475	19	751	1,562	358	401

¹⁾ From time to time, customer financing amounts may include equity instruments or equity-related instruments in our customers due to reconstruction activities of troubled receivables. We sometimes receive such instruments as security for our receivable and our policy is to sell them as soon as feasible.

P9 Investments

The following listing shows certain shareholdings owned directly and indirectly by the Parent Company as of December 31, 2007. A complete listing of shareholdings, prepared in accordance with the Swedish Annual Accounts Act and filed with the Swedish Companies

Registration Office (Bolagsverket), may be obtained upon request to: Telefonaktiebolaget LM Ericsson, External & Management Information, SE-164 83 Stockholm, Sweden.

SHARES OWNED DIRECTLY BY THE PARENT COMPANY

Type	Company	Reg. No.	Domicile	Percentage of ownership	Par value in local currency, million	Carrying value, SEK m.
Subsidiary companies						
I	Ericsson AB	556056-6258	Sweden	100	50	20,645
I	Ericsson Shared Services AB	556251-3266	Sweden	100	361	2,216
I	Ericsson Enterprise AB	556090-3212	Sweden	100	360	335
I	Ericsson Sverige AB	556329-5657	Sweden	100	100	102
I	Netwise AB	556404-4286	Sweden	100	2	306
II	AB Aulis	556030-9899	Sweden	100	14	6
III	Ericsson Credit AB	556326-0552	Sweden	100	5	5
	Other (Sweden)			–	–	983
I	Ericsson Austria GmbH		Austria	100	4	665
I	Ericsson Danmark A/S		Denmark	100	90	216
I	Oy LM Ericsson Ab		Finland	100	13	196
II	Ericsson Participations France SAS		France	100	26	524
I	Ericsson GmbH		Germany	100	20	3,884
I	Ericsson Hungary Ltd.		Hungary	100	1,301	120
II	LM Ericsson Holdings Ltd.		Ireland	100	2	15
I	Ericsson Telecomunicazioni S.p.A.		Italy	53 ¹⁾	23	3,151
II	Ericsson Holding International B.V.		The Netherlands	100	222	3,200
I	Ericsson A/S		Norway	100	156	237
II	TANDBERG Television ASA		Norway	100	161	8,787
I	Ericsson Corporatia AO		Russia	100	5	5
I	Ericsson AG		Switzerland	100	–	–
II	Ericsson Holding Ltd.		United Kingdom	100	328	4,094
	Other (Europe, excluding Sweden)			–	–	217
II	Ericsson Holding II Inc.		United States	100	2,817	28,881
I	Cia Ericsson S.A.C.I.		Argentina	12 ²⁾	13	10
I	Ericsson Telecom S.A. de C.V.		Mexico	100	n/a	1,550
	Other (United States, Latin America)			–	–	61
II	Teleric Pty Ltd.		Australia	100	20	100
I	Ericsson Ltd.		China	100	2	2
I	Ericsson (China) Company Ltd.		China	100	65	475
I	Ericsson India Private Ltd.		India	100	725	147
I	Ericsson (Malaysia) Sdn. Bhd.		Malaysia	70	2	4
I	Ericsson Telecommunications Pte. Ltd.		Singapore	100	2	1
I	Ericsson Taiwan Ltd.		Taiwan	80	240	20
I	Ericsson (Thailand) Ltd.		Thailand	49 ³⁾	90	17
	Other countries (the rest of the world)			–	–	229
Total					–	81,406
Joint ventures and associated companies						
I	Sony Ericsson Mobile Communications AB	556615-6658	Sweden	50	50	4,136
I	Ericsson Nikola Tesla d.d.		Croatia	49	65	330
Total					–	4,466

SHARES OWNED BY SUBSIDIARY COMPANIES

Type	Company	Reg. No.	Domicile	Percentage of ownership
Subsidiary companies				
I	Ericsson Network Technologies AB	556000-0365	Sweden	100
II	Ericsson Cables Holding AB	556044-9489	Sweden	100
I	Ericsson France SAS		France	100
I	LHS Telekommunikation GmbH & Co. KG		Germany	87.5
I	LM Ericsson Ltd.		Ireland	100
I	Marconi S.p.A.		Italy	100
II	Ericsson Nederland B.V.		The Netherlands	100
I	Ericsson Telecommunicatie B.V.		The Netherlands	100
I	Ericsson España S.A.		Spain	100
I	Soluciones De Video Y Comunicaciones Hache S.L.		Spain	100
I	Ericsson Telekomunikasyon A.S.		Turkey	100
I	Ericsson Ltd.		United Kingdom	100
I	Ericsson Canada Inc.		Canada	100
I	Ericsson Inc.		United States	100
I	Ericsson IP Infrastructure Inc.		United States	100
I	Ericsson Amplified Technologies Inc.		United States	100
II	Drutt Corporation Inc.		United States	100
I	Entrisphere Inc.		United States	100
I	Redback Networks Inc.		United States	100
I	Ericsson Servicos de Telecomunicações Ltda.		Brazil	100
I	Ericsson Telecomunicações S.A.		Brazil	100
I	Ericsson Australia Pty. Ltd.		Australia	100
I	Ericsson (China) Communications Co. Ltd.		China	100
I	Nanjing Ericsson Panda Communication Co. Ltd.		China	51
I	Nippon Ericsson K.K.		Japan	100
I	Ericsson Communication Solutions Pte Ltd.		Singapore	100

Key to type of company

- I Manufacturing, distribution and development companies
 II Holding companies
 III Finance companies

¹⁾ Through subsidiary holdings, total holdings amount to 100% of Ericsson Telecomunicazioni S.p.A.

²⁾ Through subsidiary holdings, total holdings amount to 100% of Cia Ericsson S.A.C.I.

³⁾ Through subsidiary holdings, total holdings amount to 100% of Ericsson (Thailand) Ltd.

P10 Inventories

	2007	2006
Finished products and goods for resale	84	91
Inventories	84	91

P11 Trade Receivables and Customer Financing

Credit risk management is governed on a Group level.
For further information, please see note C14 and C20.

	2007	2006
Trade receivables excluding associated companies and joint ventures	54	52
Allowances for impairment	-12	-12
Trade receivables, net	42	40
Trade receivables related to associated companies and joint ventures	-	28
Trade receivables, total	42	68
Customer finance credits	1,078	2,149
Allowances for impairment	-64	-221
Customer finance credits, net	1,014	1,928

MOVEMENTS IN ALLOWANCES FOR IMPAIRMENT

	Trade receivables		Customer financing	
	2007	2006	2007	2006
Opening balance	12	13	221	1,495
Additions	-	-	19	13
Utilized	-	-	-74	-12
Reversal of excess amounts	-	-1	-100	-1,243
Translation difference	-	-	-2	-32
Closing balance	12	12	64	221

AGE ANALYSIS AS PER DECEMBER 31, 2007

	Amount	Of which neither impaired nor past due	Of which impaired not past due	Of which past due in the following time intervals		Of which past due and impaired in the following time intervals	
				less than 90 days	90 days or more	less than 90 days	90 days or more
Trade receivables excluding associated companies and joint ventures	54	34		6	2	-	12
Allowances for impairment of receivables	-12						-12
Customer finance credits	1,078	796	263	1	-	1	17
Allowances for impairment of customer finance credits	-64		-46			-1	-17

AGE ANALYSIS AS PER DECEMBER 31, 2006

	Amount	Of which neither impaired nor past due	Of which impaired not past due	Of which past due in the following time intervals		Of which past due and impaired in the following time intervals	
				less than 90 days	90 days or more	less than 90 days	90 days or more
Trade receivables excluding associated companies and joint ventures	52	17		11	12	-	12
Allowances for impairment of receivables	-12						-12
Customer finance credits	2,149	1,431	646	1	8	31	32
Allowances for impairment of customer finance credits	-221		-158			-31	-32

OUTSTANDING CUSTOMER FINANCE CREDITS		
	2007	2006
On-balance sheet credits	1,078	2,149
Off-balance sheet credits	185	211
Total credits	1,263	2,360
Accrued interest	6	28
Less third-party risk coverage	-163	-275
Parent Company's risk exposure	1,106	2,113
On-balance sheet credits, net carrying value	1,014	1,928
Of which short term	263	366
Credit commitments for customer financing	988	1,075

P12 Receivables and Liabilities – Subsidiary Companies

	2007 total	Payment due by period			Total 2006
		< 1 year	1–5 years	>5 years	
Non-current receivables ¹⁾					
Financial receivables	18,433		6,703	11,730	16,978
Current receivables					
Trade receivables	908	908			614
Financial receivables	24,222	24,222			26,485
Total	25,130	25,130			27,099
Non-current liabilities ¹⁾					
Financial liabilities	30,921		30,921		32,369
Current liabilities					
Trade payables	678	678			236
Financial liabilities	40,735	40,735			35,025
Total	41,413	41,413			35,261

¹⁾ Including non interest-bearing receivables and liabilities, net, amounting to SEK -20,959 million (SEK -33,457 million in 2006). Interest-free transactions involving current receivables and liabilities may also arise at times.

P13 Other Current Receivables

	2007	2006
Receivables from associated companies and joint ventures	874	65
Prepaid expenses	703	575
Accrued revenues	418	416
Derivatives with a positive value	850	3,789
Other	315	554
Total	3,160	5,399

P14 Stockholders' Equity

Capital stock 2007

Capital stock at December 31, 2007, consisted of the following:

	Number of shares	Capital stock
Class A shares ¹⁾	1,308,779,918	1,309
Class B shares ¹⁾	14,823,478,760	14,823
Total	16,132,258,678	16,132

¹⁾ Class A shares (quota value SEK 1.00) and Class B shares (quota value SEK 1.00).

CHANGES IN STOCKHOLDERS' EQUITY

	Capital stock	Revalua- tion reserve	Statutory reserve	Total restricted equity	Disposi- tion reserve	Fair value reserves	Other retained earnings	Non- restricted equity	Total
2007									
January 1, 2007	16,132	20	31,472	47,624	100	2	32,885	32,987	80,611
Revaluation of other investments in shares									
Fair value measurement reported in equity	-	-	-	-	-	3	-	3	3
Tax on items reported directly in equity	-	-	-	-	-	-1	-	-1	-1
Sale of own shares	-	-	-	-	-	-	62	62	62
Stock purchase and Stock option plans	-	-	-	-	-	-	41	41	41
Contributions from/to (-) subsidiary companies	-	-	-	-	-	-	-4,263	-4,263	-4,263
Tax on contribution	-	-	-	-	-	-	1,194	1,194	1,194
Dividends paid	-	-	-	-	-	-	-7,943	-7,943	-7,943
Net income 2007	-	-	-	-	-	-	13,145	13,145	13,145
December 31, 2007	16,132	20	31,472	47,624	100	4	35,121	35,225	82,849
2006									
January 1, 2006	16,132	20	31,472	47,624	100	-	28,869	28,969	76,593
Effect of changed Accounting principle, IAS 39, net ¹⁾	-	-	-	-	-	-94	77	-17	-17
Adjusted opening balance	16,132	20	31,472	47,624	100	-94	28,946	28,952	76,576
Sale of own shares	-	-	-	-	-	-	58	58	58
Stock purchase and Stock option plans	-	-	-	-	-	-	67	67	67
Contributions from/to (-) subsidiary companies	-	-	-	-	-	-	-1,955	-1,955	-1,955
Tax on contributions	-	-	-	-	-	-	548	548	548
Dividends paid	-	-	-	-	-	-	-7,141	-7,141	-7,141
Revaluation of other investments in shares									
Fair value measurement reported in equity	-	-	-	-	-	-3	-	-3	-3
Cash Flow hedges									
Transferred to balance sheet for the period	-	-	-	-	-	99	-	99	99
Net income 2006	-	-	-	-	-	-	12,362	12,362	12,362
December 31, 2006	16,132	20	31,472	47,624	100	2	32,885	32,987	80,611

¹⁾ The total net of SEK -17 million includes cash flow reserve related to the Marconi trademarks acquisition SEK -15 million, fair value of bond loans of SEK -7 million and revaluation of other investments in shares of SEK 5 million.

P15 Untaxed Reserves

2007	Jan. 1	Additions/ withdrawals (–)	Dec. 31
Accumulated depreciation in excess of plan			
Intangible assets	634	434	1,068
Tangible assets	–1	14	13
Total accumulated depreciation in excess of plan	633	448	1,081
Other untaxed reserves			
Reserve for doubtful receivables	441	–183	258
Total other untaxed reserves	441	–183	258
Total untaxed reserves	1,074	265	1,339

Change in depreciation in excess of plan of intangible assets relates mainly to Marconi and Redback trademarks.

Changes in other untaxed reserves related to withdrawal from reserve for doubtful receivables, SEK 543 million in 2006. Deferred tax liability on untaxed reserves, not accounted for in deferred taxes, amounts to SEK 375 million (SEK 301 million in 2006).

P16 Pensions

The Parent Company has two types of pension plans:

- Defined contribution plans: post-employment benefit plans where the Parent Company pays fixed contributions into separate entities and has no legal or constructive obligation to pay further contributions if the entities do not hold sufficient assets to pay all employee benefits relating to employee service. The expenses for defined contribution plans are recognized during the period when the employee provides service.
- Defined benefit plans: post-employment benefit plans where the Parent Company's undertaking is to provide predetermined benefits that the employee will receive on or after retirement. The FPG/PRI plan for the Parent Company is partly funded. Pension obligations are calculated annually, on the balance sheet date, based on actuarial principles.

PENSION OBLIGATION – DEFINED BENEFIT PLANS		
	2007	2006
Opening balance	896	864
Current Service cost	35	52
Interest cost	36	34
Pensions payments	–55	–54
Closing balance pension obligation ¹⁾	912	896
Of which funded	–510	–477
Total	402	419

¹⁾ Including FPG/PRI obligation of SEK 515 million (SEK 479 million) which is covered by the Swedish law on safeguarding of pension commitments.

The FPG/PRI obligation is calculated based on a discount rate of 3.64 percent and the remaining obligation is increased by 4.0 percent. Weighted average life expectancy after the age of 65 is 24 years for women and 21 years for men.

CHANGE IN PLAN ASSETS		
	2007	2006
Opening balance plan assets	592	553
Return on plan assets	21	39
Closing balance plan assets	613	592
Reclassification	–103	–104
Return on plan assets not accounted for	–	–11
Closing balance reported in provision for pension	510	477

In 2005, SEK 524 million was transferred into the Swedish pension trust, of which SEK 103 (104) million is accounted for as prepaid expense. Only an immaterial part of plan assets is invested in the Group's equity securities or in interest-bearing securities issued by the Group. The Parent Company utilizes no assets held by the pension trust. Return on plan assets for 2007 is 3.5 (7.1) percent. 69 (74) percent of plan assets are invested in interest-bearing securities and 31(26) percent in shares.

AMOUNT RECOGNIZED IN THE BALANCE SHEET		
	2007	2006
Closing balance pension obligation	912	896
Less fair value of plan assets	–613	–592
Excess from plan assets not accounted for	–	11
Excess from plan assets reclassified	103	104
Closing balance provision for pensions	402	419

TOTAL PENSION COST RECOGNIZED IN THE INCOME STATEMENT		
	2007	2006
Defined benefit plans		
Costs excluding interest	35	52
Interest cost	36	34
Return on plan assets	-32	-28
Total cost defined benefit plans	39	58
Defined contribution plans		
Pension insurance premium	98	95
Total cost defined contribution plans	98	95
Yield tax	-	-
Payroll tax	26	35
Credit insurance premium	-24	-1
Total pension cost	139	187

P17 Other Provisions

	Warranty commitments	Restructuring	Customer financing	Other	Total other provisions ¹⁾
2007					
Opening balance	1	228	188	778	1,195
Additions	-	20	-	21	41
Costs incurred	-	-61	-	-62	-123
Reversal of excess amounts	-	-73	-11	-374	-458
Closing balance	1	114	177	363	655
2006					
Opening balance	1	763	310	317	1,391
Additions	-	44	-	639	683
Costs incurred	-	-433	-	-3	-436
Reversal of excess amount	-	-146	-122	-175	-443
Closing balance	1	228	188	778	1,195

¹⁾ Of which SEK 208 million (SEK 161 million in 2006) are expected to be utilized within one year.

P18 Interest-Bearing Liabilities

The Parent Company's outstanding interest-bearing liabilities, excluding liabilities to subsidiaries, were SEK 22.3 billion as per December 31, 2007.

INTEREST-BEARING LIABILITIES		
	2007	2006
Borrowings, current		
Current maturities of long-term borrowings	2,906	– ¹⁾
Total current borrowings	2,906	–
Borrowings, non-current		
Notes and bond loans	19,372	11,204 ¹⁾
Other borrowings, non-current	–	–
Total non-current interest-bearing liabilities	19,372	11,204
Total interest-bearing liabilities	22,278	11,204

¹⁾ Including effect of changed accounting principle, IAS 39, as per January 1, 2006. Current maturities of long-term borrowings SEK 79 million and Notes and bond loans SEK 468 million.

NOTES AND BOND LOANS

Issued-maturing	Nominal amount	Coupon	Currency	Book value (SEK m.)	Maturity date (yy-mm-dd)	Unrealized hedge gain/loss (incl. in book value)
1999–2009	483	6.500%	USD	3,166 ³⁾	09-05-20	–61
2001–2008	226 ¹⁾	7.375%	GBP	2,898 ³⁾	08-06-05	8
2003–2010	471 ²⁾	6.750%	EUR	4,462 ³⁾	10-11-28	–14
2004–2012	450	3.935%	SEK	450	12-12-07 ⁴⁾	
2007–2012	1,000	5.100%	SEK	1,002 ³⁾	12-06-29	–4
2007–2012	2,000	3.710%	SEK	2,000	12-06-29 ⁵⁾	
2007–2017	500	5.380%	EUR	4,757 ³⁾	17-06-27	–65
2007–2014	375	4.459%	EUR	3,543	14-06-27 ⁶⁾	
Total				22,278		–136

¹⁾ The GBP 226 million bond has interest rates linked to the Company's credit rating. The interest will increase/decrease 0.25 percent per annum for each rating notch change per rating agency (Moody's and Standard & Poor's). The interest rate applicable to this bond can not be less than the initial interest rates in the loan agreements.

²⁾ The EUR 471 million bond is callable after 2007; the fair value of the embedded derivative is included in the book value of the bond.

³⁾ Interest rate swaps are designated as fair value hedges.

⁴⁾ Contractual reprising date 2008-06-09.

⁵⁾ Contractual reprising date 2008-03-29.

⁶⁾ Contractual reprising date 2008-03-27.

All outstanding notes and bond loans are issued under the Euro Medium Term Note program. Bonds issued at a fixed interest rate are swapped to a floating interest rate using interest rate swaps, resulting in a weighted average interest rate of 5.48 percent at December 31, 2007. These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

In June 2007, Ericsson successfully placed a bond issuance. The transaction comprised a EUR 875 million dual-tranche Eurobond, consisting of a EUR 375 million seven-year floating rate note and a EUR 500 million ten-year fixed rate note, as well as a SEK 3 billion five-year note. The bond issues will materially lengthen Ericsson's average debt maturity profile. Ericsson last accessed the Eurobond market in 2004.

P19 Financial Risk Management and Financial Instruments

Financial risk management

Ericsson's financial risk management is governed on a Group level.
For further information please see note C20.

OUTSTANDING DERIVATIVES

	Currency	Nominal currency	2007		2006		Liability SEK
			Asset SEK	Liability SEK	Nominal currency	Asset SEK	
Currency derivatives							
Maturity up to one year	USD	1,129	805	1,337	5,229	2,269	2,402
	EUR	381	35	422	2,060	371	286
	Other		127	149		469	291
Total maturity up to one year			967	1,908		3,109	2,979
Maturity one to three years	USD	1,047	131	11	453	63	29
	EUR	1,027	13	78	1,043	91	-
	Other		1	-10 ²⁾		58	9
Total maturity one to three years			145	79		212	38
Maturity three to five years	EUR	-	-	-	471	17	-
Total maturity three to five years			-	-		17	-
Total currency derivatives			1,112	1,987		3,338	3,017
Interest Derivatives							
Maturity up to one year	EUR	1,500	16	15	260	-	2
	NOK	10,120	42	7	24,289	12	23
	SEK	24,157	21	30	42,820	119	63
	USD	-	1	1		-	-
	GBP	276	114	1		-	-
	Other		-	-		-	4
Total maturity up to one year			194	54		131	92
Maturity one to three years	SEK	30,823	24	21			-
	GBP	-	-	-	226	115	-
	NOK	9	26	18	25,275	43	-2 ²⁾
	EUR	1,112	13	14			
	USD	483	163	-	483	180	8
	Other			3		5	6
Total maturity one to three years			226	56		343	12
Maturity three to five years	EUR	107	5	4	434	94	-
	USD	-	-	-	50	6	-
	SEK	2,000	27	-1 ²⁾	-	-	-
Total maturity three to five years			32	3		100	-
Maturity more than five years	SEK	1,305	5	3	1,428	9	11
	EUR	526	179	-			
Total maturity more than five years			184	3		9	11
Total interest rate derivatives			636¹⁾	116		583¹⁾	115
(of which included in Fair value hedge relations)			478			385	
Total outstanding derivatives			1,748	2,103		3,921	3,132
(of which internal counterparts)			801	953		16	2,258

¹⁾ Of which 96 million is reported as non-current assets for 2007 and 116 million for 2006

²⁾ Negative amounts relate to effect from one exposure of a derivative that is positive/negative while the total effect of the derivative is the opposite.

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS						
SEK billion	Remaining time to maturity				2007	2006
	< 3 months	< 1 year	1–5 years	> 5 years		
Bank deposits	6.7	–	–	–	6.7	10.6
Type of issuer/ counterpart						
Governments	–	7.8	4.0	1.0	12.8	6.2
Banks	11.3	6.5	2.7	0	20.5	27.7
Corporations	0.1	1.7	2.1	–	3.9	6.2
Mortgage institutes	0.2	1.4	0.1	–	1.7	2.2
Liquidity funds	–	–	–	–	–	1.1
Total	18.3	17.4	8.9	1.0	45.6	54.0

The instruments are classified as held for trading and are therefore short-term investments.

During 2007, cash and bank and short-term investments decreased by SEK 8.4 billion to SEK 45.6 billion mainly due to investments in companies.

REPAYMENT SCHEDULE OF LONG-TERM BORROWINGS				
Nominal amount SEK billion	Current maturities of long-term debt		Notes and bonds (non-current)	Total
	2008	2.9	–	
2009			3.1	3.1
2010			4.5	4.5
2011			–	–
2012			3.5	3.5
2013 and later			8.2	8.2
Total	2.9	19.3	22.2	

Debt financing is mainly carried out through borrowing in the Swedish and international debt capital markets.

FINANCIAL INSTRUMENTS CARRYING AMOUNT											
SEK billion	Trade receivables	Short-term investments	Cash and cash equivalents	Receivables and liabilities subsidiaries	Borrowings	Trade payables	Financial assets	Other current receivables	Other current liabilities	2007	2006
	P11			P12	P18	P21	P8	P13	P20		
Assets at fair value through profit or loss		29.0	9.8	–0.1			0.1	0.8	–1.1	38.5	44.2
Loans and receivables	1.1			42.7				0.8		44.6	29.1
Available for sale assets							0.5			0.5	–
Financial liabilities at amortized cost				–71.4	–22.3	–0.6				–94.3	–44.5
Total	1.1	29.0	9.8	–28.8	–22.3	–0.6	0.6	1.6	–1.1	–10.7	28.8

FUNDING PROGRAMS			
	Amount	Utilized	Unutilized
Euro Medium Term Note program (USD m.)	5,000	3,051	1,949
Euro Commercial Paper program (USD m.)	1,500	–	1,500
Swedish Commercial Paper program (SEK m.)	5,000	–	5,000
Long-term Committed Credit facility (USD m.)	2,000	–	2,000
Short-term Committed Credit facilities (SEK m.)	273	–	273

On July 16, 2007, Ericsson entered into a USD 2.0 billion long-term committed credit facility agreement. The USD 2.0 billion facility replaces the previous USD 1.0 billion facility. The new facility does not have interest rates linked to credit rating or financial covenants.

Both Moody's credit rating agency and Standard & Poor's (S&P) raised Ericsson's credit rating during 2007. At year-end, their ratings of Ericsson's creditworthiness were Baa1 (Baa2) for Moody's and BBB+ (BBB–) for S&P, both considered to be "Investment Grade".

Financial Instruments Carried at other than Fair Value

In the following tables, carrying amounts and fair values of financial instruments that are carried in the financial statements at other than fair values are presented. Assets valued at fair value through profit and loss had a net gain of SEK 164 million. For further information about valuation principles, please see Note C1, "Significant Accounting Policies".

FINANCIAL INSTRUMENTS CARRIED AT OTHER THAN FAIR VALUE

SEK billion	Carrying amount		Fair value	
	2007	2006	2007	2006
Current maturities of long-term borrowings	2.9	–	3.1	–
Notes and bonds	19.4	11.2	19.4	11.7
	22,3	11.2	22.5	11.7

Financial instruments excluded from the tables, such as trade receivables and payables, are carried at amortized cost which is deemed to be equal to fair value. When a market price is not readily available and there is insignificant interest rate exposure affecting the value, the carrying value is considered to represent a reasonable estimate of a fair value.

P20 Other Current Liabilities

	2007	2006
Liabilities to associated companies and joint ventures	7	7
Accrued interest	445	306
Accrued expenses, of which		
employee related	237	296
supplier invoices not received	818	202
Deferred revenues	1,007	201
Derivatives with a negative value	1,151	874
Other current liabilities	163	411
Total	3,828	2,297

P21 Trade Payables

	2007	2006
Trade payables excluding associated companies and joint ventures	626	509
Total	626	509

All trade payables fall due within 90 days.

P22 Assets Pledged as Collateral

	2007	2006
Bank deposits	359	277
Total	359	277

The major item in bank deposits is the internal bank's clearing and settlement commitments of SEK 229 million (SEK 162 million in 2006).

P23 Contingent Liabilities

	2007	2006
Total contingent liabilities	9,650	7,670

Contingent liabilities include pension commitments of SEK 8,199 million (SEK 6,909 million in 2006), and subsidiary companies' borrowing from financial institutions of SEK 18 million (SEK 51 million in 2006).

In accordance with standard industry practice, Ericsson enters into commercial contract guarantees related to contracts for the supply of telecommunication equipment and services. Total amount for 2007 was SEK 16,312 million (SEK 16,027 million in 2006). Potential payments due under these bonds are related to Ericsson's performance under applicable contracts.

P24 Statement of Cash Flows

Interest paid in 2007 was SEK 1,977 million (SEK 1,887 million in 2006 and SEK 3,215 million in 2005) and interest received was SEK 3,066 million (SEK 3,123 million in 2006 and SEK 3,151 million in 2005). Income taxes paid were SEK 559 million (SEK 364 million in 2006 and SEK 65 million in 2005).

Major non-cash items in Investments are: Investments in shares and other investments of SEK 3,214 million in 2005.

ADJUSTMENTS TO RECONCILE NET INCOME TO CASH			
	2007	2006	2005
Tangible assets			
Depreciation	111	92	97
Total	111	92	97
Intangible assets			
Amortization	389	310	22
Total	389	310	22
Total depreciation and amortization on tangible and intangible assets			
	500	402	119
Taxes	756	825	516
Write-downs and capital gains (-)/ losses on sale of fixed assets, excluding customer financing, net	-1,088	-2,889	-6,643
Additions to/withdrawals from (-) untaxed reserves	265	88	47
Unsettled dividends	-	-	-5
Total adjustments to reconcile net income to cash	433	-1,574	-5,966

P25 Leasing

Leasing with the Parent Company as lessee

At December 31, 2007, future payment obligations for leases were distributed as follows:

	Operating leases
2008	1,192
2009	935
2010	817
2011	619
2012	476
2013	946
2014 and later	-
	4,985

Leasing with the Parent Company as lessor

At December 31, 2007, future minimum payment receivables were distributed as follows:

	Operating leases
2008	34
2009	9
2010	8
2011	8
2012	-
2013 and later	-
	59

The operating lease income is mainly income from sublease of property.

P26 Tax Assessment Values in Sweden

	2007	2006
Land and land improvements	8	11
Total	8	11

P27 Information Regarding Employees

AVERAGE NUMBER OF EMPLOYEES						
	2007			2006		
	Men	Women	Total	Men	Women	Total
Western Europe ^{1) 2)}	173	140	313	165	129	294
Central and Eastern Europe, Middle East and Africa	104	9	113	520	17	537
Total	277	149	426	685	146	831
¹⁾ Of which Sweden	173	140	313	165	129	294
²⁾ Of which EU	173	140	313	165	129	294

ABSENCE DUE TO ILLNESS		
percent of working hours	2007	2006
Absence due to illness for men	0%	0%
Absence due to illness for women	2%	2%
Employees 30–49 years old	1%	1%
Employees 50 years or older	1%	1%
Long-term absence due to illness total ¹⁾	0.5%	0.4%

¹⁾ Defined as absence during a consecutive period of time of 60 days or more.

Remuneration

WAGES AND SALARIES AND SOCIAL SECURITY EXPENSES		
	2007	2006
Wages and salaries	431	570
Social security expenses	253	264
Of which pension costs	139	187

WAGES AND SALARIES PER GEOGRAPHICAL AREA		
	2007	2006
Western Europe ^{1) 2)}	315	350
Central and Eastern Europe, Middle East and Africa ²⁾	113	220
Total	428	570
¹⁾ Of which Sweden	315	350
²⁾ Of which EU	315	350

Remuneration in foreign currency has been translated to SEK at average exchange rates for the year.

Compensation policies and remuneration to the Board of Directors and the President and CEO

See Notes to the Consolidated Financial Statements, Note C28 – “Information Regarding Employees, Members of the Board of Directors and Management”.

Long term incentive plans

The Stock Purchase Plan

Compensation costs for all employees of the Parent Company amounted to SEK 14.5 million in 2007 (SEK 17.1 million in 2006).

P28 Related Party Transactions

During 2007, various transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis.

Sony Ericsson Mobile Communications AB (SEMC)

In October 2001, SEMC was organized as a joint venture between Sony Corporation and Ericsson. A substantial portion of Ericsson's handset operations was sold to SEMC. As part of the formation of the joint venture, contracts were entered into between the Parent Company and SEMC.

For the Parent Company, the transactions are royalty and license fees for SEMC's usage of trademarks and patents and received dividends.

	2007	2006
Related party transactions		
Sales	1,202	959
Royalty	1,837	519
Dividends	3,949	1,160
Related party balances		
Receivables	871	70
Liabilities	–	1

Ericsson Nikola Tesla d.d.

Ericsson Nikola Tesla d.d. is a joint stock company for manufacturing and sales of telecommunications systems and equipment and an associated member of the Ericsson Group. The Parent Company holds 49.07 percent of the shares.

For the Parent Company the transactions are royalty for Ericsson Nikola Tesla d.d.'s usage of trademarks and received dividends.

	2007	2006
Related party transactions		
Royalty	9	7
Dividends	267	98

Other related parties

For information regarding the remuneration of management, see Note C29 to the consolidated financial statements, “Information regarding employees, members of the Board of Directors and Management”.

P29 Fees to Auditors

	Price-waterhouse-Coopers	Others	Total
2007			
Audit fees	37	–	37
Audit related fees	3	–	3
Tax services fees	–	–	–
Total	40	–	40
2006			
Audit fees	41	2	43
Audit related fees	8	–	8
Tax services fees	1	–	1
Other fees	1	–	1
Total	51	2	53
2005			
Audit fees	21	2	23
Audit related fees	18	–	18
Tax services fees	1	–	1
Total	40	2	42

During the period 2005–2007, in addition to audit services, PricewaterhouseCoopers provided certain audit related services and tax services to the Parent Company. The audit related services include consultation on financial accounting and services related to acquisitions. The tax services include general tax advice.

KPMG are no longer auditors of the Parent Company (effective from the Annual General Meeting (AGM) 2007). Fees to KPMG during the period 2005–2006 are included in Others.