

Information on the Company

History and development

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

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

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

Also reflecting our ongoing commitment to technology leadership, we have one of the industry's most comprehensive intellectual property portfolios containing approximately 23,000 patents.

Technical milestones

1878	Telegraph to telephone
1923	Manual switching to automatic switching
1956	First mobile phone system
1968	Electro-mechanical to computer control
1978	Analog switching to digital switching
1981	Fixed communications to mobile communications
1991	1G analog to 2G digital mobile technology
1998	Integration of voice and data in mobile networks
1999	Narrowband circuit to broadband packet switching
1999	Introduction of fixed telephony softswitch
2001	2G narrowband to 3G wideband mobile technology
2003	Introduction of mobile softswitch
2004	Mass commercial launch of WCDMA (3G) networks in Western Europe
2005	Commercial launch of HSDPA mobile broadband networks in North America
2006	Global commercial launches of HSPA mobile broadband networks

2007 Fiber access and VDSL, along with IPTV in broadband networks

Long-term goals and business strategy

Our ultimate goal is for the Company to generate growth and a healthy profit that is sustainable over the longer term. Ericsson's strategy is to be the preferred business partner to our customers, especially to the world's leading network operators. In order to succeed with this, we strive to be the market and technology leader by offering superior end-to-end solutions, mainly related to network infrastructure, related professional services and multimedia.

We are a major supplier to most of the world's leading mobile operators and many of the world's leading fixed-line operators. We believe that our ability to offer end-to-end solutions – systems, applications, services and core handset technology – together with our in-depth knowledge of consumer requirements, make us well positioned to assist network operators with their network development and operations.

- We are a market leader in GSM and WCDMA/HSPA network equipment and in systems integration and managed services.
- We are growing in the area of wireline broadband networks, in metro Ethernet solutions and in optical transport.
- We are a provider of multimedia solutions for both wireless and wireline operators.

Our strategy is to:

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

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

Innovation for technology leadership

Innovation is an important element of our corporate culture and is key to our competitiveness and future success.

We have a long tradition of developing innovative communication technologies, including technologies that form the base for industry standards. By early involvement in creating new standards and technologies we are often first to market with new solutions – a distinct competitive advantage.

Ericsson has earned a reputation for innovation and technology

leadership by developing open standards and bringing reliable, cost-effective network solutions to market. We helped pioneer the development of industry-wide mobile technologies such as GSM, GPRS, EDGE, 3G/WCDMA/HSPA, and Bluetooth. The GSM family (GSM and WCDMA) now connect more than 80 percent of the world's mobile subscribers. Ericsson holds a leading position in standardization and trials of the next major wireless technology, Long-Term Evolution (LTE).

Within our ambitious R&D program, we have approximately 19,300 (17,100) employees in 17 (17) countries worldwide and we spent SEK 29 billion or 15 percent of sales on research and development during 2007.

The vast majority of our R&D is invested in product development of which the majority in mobile communications network infrastructure. We have continued to invest in strategically important areas of broadband access, converged networks, service layer, IP technology and multimedia.

World-class innovations are achieved also through cooperation with a variety of partners including customers, universities and research institutes. Standardization bodies establish the standards that lead the industry, and Ericsson is a leading player in all major standardization organizations.

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

Intellectual property rights (IPR) and licensing

Through many years of involvement in the development of new technologies, we have built up a considerable portfolio of intellectual property rights (IPR) relating to telecommunications technologies. As of December 31, 2007, we held approx. 23,000 (22,000) patents worldwide, including patents essential to the standards GSM, GPRS, EDGE, WCDMA, HSPA, MBMS, TD-SCDMA, cdma2000, WiMAX and next-generation OFDM/LTE. We also hold essential patents for many other areas, e.g. Voice-over-IP, ATM, WAP, Bluetooth, SDH, SONET and WDM.

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

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

Addressing key operator needs

We will continue to devote significant resources to develop end-to-end communications solutions that will stimulate network deployments for geographic coverage as well as traffic

General facts on the company

Legal name: Telefonaktiebolaget LM Ericsson (publ)

Organization number: 556016-0680

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

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

Domicile: Our registered address is Telefonaktiebolaget LM Ericsson, SE-164 83 Stockholm, Sweden. Our headquarters are located at Torshamnsgatan 23, Kista, Sweden.

Our telephone number is +46 8 719 0000.

Our web site is www.ericsson.com. Please note that information on our web site does not form part of this document.

Agent in the US: Ericsson Inc., Vice President Legal Affairs,

6300 Legacy Drive, Plano, Texas 75024. Telephone number +1 972 583 0000.

Shares: Our Class A and Class B shares are traded on OMX Nordic Exchange Stockholm. Our Class B shares are also traded on the London Stock Exchange (LSE).

In the United States, our American depository shares (ADS), each representing 10 underlying Class B shares, are traded on NASDAQ.

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

Subsidiaries and associated companies: For a listing of our significant subsidiaries, please see Notes to the Parent Company

capacity and thereby drive demand for our products and services.

We believe that the migration of voice, messaging and video services into IP-based multimedia services common to both wireless and wireline access networks is the primary technological shift facing operators today.

Many of the world's leading operators are beginning to converge their mobile and fixed networks into one. Wireline operators are moving from single-service networks toward broadband packet-switched multi-service networks that have the ability to simultaneously handle multiple services, such as voice, data and images. Migration to an all-IP-based packet-switched network is a necessary step in order to combine broadband Internet, voice and image traffic into one broadband network. For consumers this means a richer experience with easier access to a wide range of applications and content on any device. For operators it means reduced costs and shorter time to market with new services.

Our solution for such multi-service networks utilizes an IMS-based multi-service environment, intelligent edge routers, combined with broadband access and core network routing and transmission elements. Organizing a network into layers isolates the different functions, i.e., access, core network and services, and facilitates easier migration to an all-IP environment. In recent years, we have strengthened our wireline portfolio in preparation for convergence and all-IP networks.

The use of wireless broadband for fixed and mobile use is growing rapidly. Ericsson provides both cost effective infrastructure solutions and laptop embedded modules for EDGE/HSPA to satisfy this growing demand.

By successfully addressing three key operator needs: modernization and expansion of access networks; introduction of IP-based revenue generating services; and cost-efficient rollout of high capacity broadband networks with service differentiation, we continuously secure strong market positions in voice over packet, soft switching and public Ethernet access.

Expanding Professional Services

Network operators are reducing operating expenses by optimizing the operation and maintenance of their networks. As a result, many network operators are increasingly outsourcing for example their network design, operations and maintenance activities.

When outsourcing, operators can reduce cost of operations and gain flexibility in resources and time to market – all with an assured quality of service.

The combination of our local expertise, global technology leadership, business understanding, strong delivery capabilities and experience in integrating and managing networks make Ericsson an attractive partner for operators seeking support to reliably and cost-effectively evolve their networks to accommodate multiple technologies in their transition into one converged network.

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

Documents on display: We file annual reports and other information (normally in Swedish only) for certain domestic legal entities with Bolagsverket (Swedish Companies Registration Office) pursuant to Swedish rules and regulations. You may order any of these reports from their web site www.bolagsverket.se. If you access these reports, please be aware that the information included may not be indicative of our published consolidated results in all aspects. Other than

information related to the Parent Company, only consolidated numbers for the Group totals are included in our reports.

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

Business (primary) segments

We supply the network equipment and services that enable telecommunication; end-to-end solutions for mobile and fixed communication.

Ericsson is a telecommunications company developing and selling a variety of products aimed largely at customers in the telecommunications industry. When determining our operating segments, we have looked at which market and to what type of customers our products and services are aimed, and through what distribution channels they are sold as well as to commonality regarding technology, research and development. To best reflect our business focus and to facilitate comparability with our peers, we implemented a more customer-oriented organization as from January 1, 2007. We now report four business segments:

- Networks; communications infrastructure and related deployment services.
- Professional Services; managed services, services for network systems integration, consulting and education and customer support services.
- Multimedia; networked media and messaging, enterprise applications, revenue management, service delivery platforms (SDP) and mobile platforms.
- Phones; The 50/50 joint venture with SONY corporation, Sony Ericsson Mobile Communications, offer a range of mobile handsets and other mobile devices, including those supporting multimedia applications and other personal communication services.

Segment Networks

Business segment Networks includes products for wireless and wireline access, core networks and transmission. Related network deployment services are also included.

Segment Networks accounted for 69 percent of total sales in 2007.

Wireless and wireline Access

We provide wireless access solutions to network operators that enable reliable, efficient and cost effective mobile telephony networks as well as wireless broadband for mobile, nomadic and fixed users in urban and rural areas. Our expertise in all 2G and 3G standards allow us to offer tailored solutions to a network operator, regardless of the existing network standard used. Our radio base stations, interconnecting the device (eg. handset, PC) with the mobile network can easily be upgraded from GSM to GPRS/EGDE and from WCDMA to HSPA respectively.

The recent expansion of our wireline broadband offering has been an important step in reinforcing our ability to address

network operators as they begin integrating their fixed and mobile networks.

Our position in public Ethernet access has been strengthened through the acquisitions of Marconi and Entrisphere. Marconi products added IP-DSL for fiber- and copper-based broadband access. The Entrisphere products in fiber technology (Gigabit Passive Optical Networks, GPON) are essential for High Definition IPTV and other IP based services with high demand on bandwidth and cost efficiency.

IP core network (switching, routing and control)

The evolution to IP starts in the core. Our core network solutions include industry-leading softswitch, IP infrastructure, IP-based multimedia subsystem (IMS) and media gateways. Our acquisition of Redback Networks has further strengthened our IP product portfolio with broadband routers to manage broadband, telephony, TV and mobility services.

GSM and WCDMA/HSPA share a common core network, meaning that previous investments are preserved as operators migrate from voice-centric to multimedia networks. Our switching products have industry-leading scalability and capacity. Many of our core network switching systems are built upon common platforms.

IP Multimedia Subsystem (IMS) is the key that enables subscribers to access the same content and services from a multitude of devices. IMS is an open service layer platform that hosts IP based services such as Voice over IP (VoIP), "push-to-talk" etc. Since our IMS solution is common for both fixed and mobile networks, converged services can be transparently provided independent of the type of access.

Transmission

Microwave and optical transport solutions provide cost-effective management of voice and data traffic.

Our MINI-LINK micro-wave radio systems is one of the world's most widely deployed solutions. Transport networks (e.g. MINI-LINK, metro optical networks) are essential elements of our end-to-end solutions and are also used by operators utilizing network equipment from other suppliers.

Deployment Services

Fast deployment in large volumes involves a heavy ramp-up of resources. Ericsson has developed a service delivery concept using a mix of local, in-house capabilities, subcontractors and central resources. We can manage these capabilities in a way that has proven to be successful and results in a very high degree of customer satisfaction.

Segment Professional Services

Ericsson's professional services capabilities include expertise in managed services, systems integration, consulting, education and customer support services

Segment Professional Services accounted for 23 percent of total sales in 2007.

Managed Services

We offer some of the most comprehensive managed services capabilities within the telecom industry. Our offerings cover

- network operations; management of all aspects of day-to-day operations of a customer's network, high-quality operations of fixed and mobile networks at a predictable cost.
- hosting of applications and content management; we enable operators to launch multimedia services in a simple, fast and cost-effective manner.

We are the industry leader in managed services, managing networks with more than 185 million subscribers. Since managed services often are signed in the form of multi-year agreements, a major part of managed services sales are of a recurring nature.

Systems integration

Operators can minimize risk by engaging Ericsson to integrate equipment from multiple suppliers and handle technology change programs, as well as to design and integrate new solutions. More and more operators who face challenging technology transformations or introduce multimedia services are asking us to serve as a prime integrator.

Consulting and education

As technologies and business models become more complex in the evolution towards broadband and all-IP, our customers rely on our consultants to support them in defining strategies for network evolution, identifying multimedia services for growth and developing the competence of their employees.

Customer support

Having experienced professionals available around-the-clock to provide customer support is a crucial part of our service offering.

Our staff, across all regions of the world, supports operators that in total have more than 1 billion customers. Giving advice on how to maximize efficiency in day-to-day operations ensures network uptime and lowers total cost of ownership.

Segment Multimedia

The Multimedia offering includes a variation of products and applications of which some are well established in the market,

such as the revenue management portfolio and our mobile platforms, whereas others should be seen as investment areas.

Segment Multimedia accounted for 8 percent of total sales in 2007.

Networked media and messaging

Networked media and messaging includes:

- Converged TV; Our end-to-end TV offerings for personal and interactive TV was complemented through the acquisition of Tandberg Television in 2007.
- Music & gaming entertainment solutions; for delivering music, games and videos to a broad base of devices.
- Creative communication; the offerings include applications for enriched communication and instantaneous sharing of experiences and information. Mobeon, a leading supplier of IP based messaging components was acquired to complement our offering.
- Mobile media management solutions, which are tailored for media companies and mobile network operators to provide means for them to expand into new channels and new areas. The offering contains functions for gathering, adapting, and delivering information in a secure way.
- Advertising is a major funding element within traditional media, with the largest growth in new media channels such as the Internet.

Enterprise applications

Ericsson makes enterprises more competitive by mobilizing their communications and business processes. Users on the move can access a range of business-critical communications and information applications from a variety of devices over private or public, fixed and mobile networks. Offerings include an application portfolio, platforms and services. We have end-to-end solutions for enterprises of all sizes, both for company premises and/or for hosting by operators.

Revenue management

We are a leading provider of revenue management solutions. We help our customers capture and secure their money streams and leverage the business opportunities, by providing expertise and solutions to manage the revenues from traditional as well as multimedia services.

The acquisition of LHS in 2007 further strengthened our position; we can now offer a convergent charging and billing solution that enables operators to handle all users and services in the same way independent on payment options or access technologies.

Service Delivery Platforms (SDP)

Ericsson's Service Delivery Platform (SDP) covers all aspects of business-to-consumer (B2C) and business-to-business (B2B) services. Our solutions, products, systems integration and business consulting capabilities are combined to create a multimedia marketplace according to each customer's specific need. Through the acquisition of Drutt, Ericsson has a core product offering, which supports both on- and off-portal business and enables advertisement and commerce of a wide range of different products facilitated by the SDP.

Mobile Platforms

Ericsson is a leading platform technology supplier for GSM/EDGE and WCDMA/HSPA platforms used in devices such as mobile handsets, PC-cards, and other mobile devices. Ericsson licenses open-standard end-to-end interoperability tested GSM/EDGE and WCDMA technology platforms.

The product offerings are based on our comprehensive IPR portfolio and include: reference designs, platform software, ASIC designs and development boards, development and test tools, and training. By licensing our technology and platforms, mobile phone manufacturers can launch new products faster, with limited R&D investments and lower technology risks.

Segment Phones

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

Sony Ericsson is responsible for product design and development, as well as marketing, sales, distribution and customer services.

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

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

Geographical (Secondary) segments

We group sales into five geographical segments; Western Europe, CEMA (Central and Eastern Europe, Middle East and Africa), Asia Pacific, North America and Latin America.

There is a good distribution of sales between geographical

segments, mitigating volatility, as a decrease in one area is often offset by an increase in another. The segments have different characteristics in terms of penetration of fixed and mobile telephony, network traffic, sophistication of services and average country GDP and other economic factors.

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

SALES PER REGION AND SEGMENT 2007

SEK million	Professional Services			Total
	Networks	Services	Multi-media	
Western Europe	28,085	17,287	7,313	52,685
CEMA ¹⁾	36,435	8,305	3,921	48,661
Asia Pacific	43,101	9,061	2,467	54,629
North America	8,392	3,965	1,065	13,422
Latin America	12,972	4,274	1,137	18,383
Total	128,985	42,892	15,903	187,780

¹⁾ Central and Eastern Europe, Middle East and Africa

Market environment

Long-term customer relationships and global scale

We have been present in most of our markets for more than 100 years, building strong, long-term relationships with the world's leading operators. Our scale advantage, end-to-end offerings and a local presence in every major market enable us to serve as a true partner for cost-effective delivery of solutions and support to a diverse base of customers. As operators are increasingly reducing the number of different suppliers they rely on, the responsiveness of our employees and the power of our portfolio of products and services are key to our future success.

We work closely with our customers to understand their businesses and technology needs, and provide tailored solutions to help them fulfill their business objectives. Our expertise and experience in all major telecommunication standards along with our proven track record for quality and innovation have allowed us to develop our business on a worldwide basis. We believe that our widespread geographical presence and the economies of scale associated with market share leadership give us competitive advantages. Global presence is an important factor, particularly when working as a business partner to operators

working in multiple markets or globally. We are utilizing our strong international reach and core competence in mobile and fixed communications to expand into growth areas such as systems integration, service applications and managed services, as well as to develop alliances with suppliers and manufacturers in many countries in order to increase our combined effectiveness.

Customers

We are supplying equipment, integrated solutions and services to almost all major network operators globally. We derive most of our sales from large, multi-year agreements with a limited number of significant customers. Out of a customer base of more than 425 network operators, the ten largest customers account for 42 (44) percent of our net sales, while the 20 largest customers account for 58 (63) percent of our net sales. Our largest customer accounted for approximately 6 (7) percent of sales during 2007.

Our customers have different needs in interacting with Ericsson as a supplier, ranging from support in identifying and capturing business opportunities to complex system deliveries including systems integration or outsourced operation of the customer's network to simple add-on deliveries of equipment or spare parts to "do-it-yourself" fulfillment. We use three different sales approaches that acknowledge these different needs;

- Project Sales (interactive relationship selling with high involvement of the customer to identify and capture business opportunities, where the solution is not known at the point of sales),
- System Sales (interactive relationship selling of solutions configured for specific customer needs) and
- Product Sales (the outcome of relationship sales and frame agreements where customers may call-off well-defined products and services electronically).

System Sales has historically been our most common sales approach to best meet our customers' needs, however, as their needs evolve, the two other sales approaches will grow in importance.

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

Seasonality

Our quarterly sales, income and cash flow from operations are seasonal in nature and generally lowest in the first quarter of the year and highest in the fourth quarter. This is mainly a result of the seasonal purchase patterns of network operators. Although demonstrating a strong seasonal pattern historically, our seasonal sales variances have not conformed to the longer-term pattern during the market downturn starting in 2001 and

subsequent recovery during 2004. The table below illustrates the long-term average seasonal effect on sales for the period 1993 through 2007.

15-YEAR AVERAGE SEASONALITY				
	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential Change	-26%	17%	-4%	32%
Share of annual sales	21%	24%	23%	31%

The table below illustrates the average seasonal effect on sales for the last three years.

MOST RECENT 3-YEAR AVERAGE SEASONALITY				
	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential Change	-19 %	16 %	-7 %	27 %
Share of annual sales	22 %	25 %	23 %	30 %

Competitors

In Networks, we compete mainly with large and well-established communication equipment suppliers. Although competition varies depending on the products, services and geographical regions, our most significant competitors in mobile communication include Alcatel/Lucent, Huawei, ZTE and Nokia/Siemens. With respect to fixed communications equipment, the competition is also highly concentrated and includes, among others, Alcatel/Lucent, Cisco, Huawei, Nokia/Siemens and Nortel. We also compete with numerous local and regional manufacturers and providers of communication equipment and services. We believe the most important competitive factors in this industry include existing customer relationships, the ability to cost-effectively upgrade or migrate an installed base, technological innovation, product design, compatibility of products with industry standards, and the capability for end-to-end systems integration.

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

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

Within the segment Phones, the primary competitors include Nokia, Motorola, Samsung and a number of other companies

such as LG Electronics, NEC and Sharp. We believe that our mobile phone joint venture with Japan's SONY Corporation creates a distinctive competitive advantage.

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

Supply

Manufacturing and assembly

Most of our node production, i.e., assembly, integration and testing of modular subsystems into complete system nodes such as radio base stations, mobile switching centers etc., is done in-house. About half of our module production, i.e., production of subsystems such as circuit boards, radio frequency (RF) modules, antennas etc., is outsourced to a group of electronics manufacturing services companies including Celestica, Elcoteq, Flextronics, Jabil and Solectron, of which the vast majority is in low-cost countries. We also purchase customized and standardized equipment, components and services from several global providers as well as from numerous local and regional suppliers. A number of our suppliers design and manufacture highly specialized and customized components for our end-to-end solutions as well as individual nodes. We generally attempt to negotiate global supply agreements with our primary suppliers. While we are not dependent on any one supplier for the provision of standardized equipment or components and seek to avoid single source supply situations, a need to switch to an alternative supplier may require us to allocate additional resources to ensure that our technical standards and other requirements are met. This process could take some time to complete. Accordingly, a need to switch to an alternative supplier could potentially have an adverse effect on our operations in the short term.

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

In Sweden, the majority of the floor space within our production facilities is used for node assembly and testing. Including the EMS production, approximately 35–40 (35–40) percent of module production and 75–80 (75–80) percent of node production is performed in Sweden.

We intend to continue to outsource module production where adequate manufacturing capacity and expertise are available on favorable terms. Such outsourcing of the major part of module manufacturing provides us greater flexibility to adapt to economic and market changes. However, the timing and level of outsourcing is a balance between short-term demand and longer-term flexibility.

We manage our own production capacity on a global basis by allocating production to sites where capacity is available and costs are competitive. At year-end 2007, our overall utilization was close to 100 percent as we continuously adjust our production capacity to meet expected demand. The table "Primary Manufacturing and assembly facilities" below summarizes where we have our major manufacturing and assembly facilities as well as the total square meters of floor space at year-end.

Sources and availability of materials

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

Based on our most recent sourcing agreements, the increase in oil and metal prices during 2007 had only a limited negative effect on our costs and did not affect the availability of the electronic components or ready-made products and services that we require. To the extent possible, we rely on alternative supply sources for the purchased elements of our products to avoid sole source situations and to secure sufficient supply at competitive prices. Assuming there will only be a moderate increase in market demand, we do not foresee any supply constraints to meet our expected production requirements during 2008.

PRIMARY MANUFACTURING AND ASSEMBLY FACILITIES

	2007		2006		2005		2004	
	Sites	Sq meters	Sites	Sq meters	Sites	Sq meters	Sites	Sq meters
Sweden	8	244,300	8	231,500	9	256,615	10	277,415
China	4	33,900	3	20,860	3	15,200	3	15,200
Italy	2	20,100	2	20,100	0	0	0	0
Brazil	1	25,900	1	18,400	1	15,840	1	15,840
Germany	1	300	1	13,900	0	0	0	0
India	1	6,400	1	5,364	1	5,364	0	0
Other	1	5,000	2	8,100	0	0	0	0
Total	18	335,900	18	317,560	14	293,019	14	308,455

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

Organization

Governance

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

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

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

Group Functions

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

Their responsibilities include the formulation of the Group’s strategy, issuing of directives, business control and resource allocation. In addition, Group Functions are responsible for the consolidation and reporting of financial performance, financing and cash management, legal issues, communication with various stakeholders including employees, investors, press and media as well as coordination and administration of a number of group-wide issues. Other important group-wide matters, such as Corporate Responsibility, are managed by Group Functions in conjunction with a network of experts from various parts of the Company. Ericsson Research conducts applied research in various strategic areas to provide Ericsson with system concepts, technology, and methodology to help secure our long-term, strategic position

Business Units

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

The business units are Network, Global Services and Multimedia, corresponding largely to our three reportable business

segments, where network deployment activities performed by business unit Global Services are included in segment Networks, with the remaining service activities reported as segment Professional Services.

Market units

We use our own sales organization consisting of 24 market units to market and sell our systems and services to customers in over 175 countries via a worldwide sales and support network. Each market unit represents either a single country or a group of countries, depending on the extent of our business activities in that region. We have significant sales in all of the largest geographic markets for telecommunications, with no individual country accounting for more than 7 percent of sales. For the Services business, represented in 140 countries, local knowledge is key and therefore most of the 28 000 employees in our service organization are based within the local market units.

The majority of our market units operate through local subsidiaries that are present in each country. We use our local presence to help our customers achieve greater efficiencies and gain access to recognized world-class support resources wherever they operate. The market units utilize the product expertise of the business units in tailoring and integrating our products for delivery to customers.

Operational excellence

We are convinced that Operational Excellence is a competitive advantage. Therefore we are continuously focusing on how to improve our internal processes, support systems and ways of working. Our mission to take our customers forward in the best possible way requires well developed change capabilities, efficient and effective processes that consistently yield innovative, high-quality products and services with low cost of ownership.

No matter how far we have come, we will always continue to drive Operational Excellence across the company. By continuously learning from our experiences and the needs of our customers we will become an even better company.

Working at Ericsson

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

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

We maintain an open management style that involves our

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

For information on our Corporate Responsibility, please see separate “Corporate Responsibility Report”.

For information on our Corporate Governance, please see “Corporate Governance Report” in this document.

Our vision – how we see the world

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

Core values – how we act

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

These values form the foundation of how we operate our business. Our core values define how we treat each other, our customers and our business partners and therefore they define our culture. Characteristics of our culture are exhibited by a passion to win; employee diversity, honesty, trust and support for each other; integrity and high ethical standards; and leadership by example at all levels. We believe the best way to further develop our business is to remain accountable to ourselves and to our customers.

Results – how we measure our performance

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

Changes in organization and management

Organizational changes made during 2007:

- A new organization is effective as from January 1, consisting of Networks, Global Services and Multimedia.
- As per January 24, Ericsson completed the cash tender offer for US-based Redback Networks, now part of segment Networks.

- On February 12, Ericsson announced the acquisition of Entrisphere, a company providing fiber access technology.
- On February 26, Ericsson announced a voluntary public cash offer to acquire Tandberg Television. On May 8, Ericsson held more than 90 percent of the outstanding shares in Tandberg Television, and initiated a compulsory acquisition of the remaining shares.
- On March 15, Ericsson announced the acquisition of business and assets of Mobeon AB, a world leader in IP-messaging components for mobile and fixed networks.
- On June 5, Ericsson announced a voluntary public cash offer to acquire LHS AG. LHS brings a postpaid billing offering.
- On June 7, Ericsson announced the acquisition of Drutt Corporation; a Swedish company that develops Mobile Service Delivery Platform.
- On December 20, Ericsson announced the acquisition of HyC Group, a Spanish company with competence as a systems integrator of IPTV solutions.

Changes in the Group Management Team:

- As per January 2007, Kurt Jofs was appointed head of the new business unit Networks.
- As per January 2007, Jan Wäreby was appointed head of business unit Multimedia and included in the Group Management Team.
- As per January 2007, Sivert Bergman left the Group Management Team as Marconi was fully integrated.
- As per January 2007, Torbjörn Nilsson left the Group Management Team.
- As per October 25, Karl-Henrik Sundström, CFO and head of Group Function Finance, left Ericsson and Hans Vestberg was appointed CFO
- As per January 2008, Jan Frykhammar was appointed Senior Vice President and Head of Business Unit Global Services, and included in the Group Management Team.

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