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Ericsson Annual Report 2000

This document is the Ericsson Annual Report 2000 – Financial Statements. Together with the Ericsson Annual Report 2000 – Understanding our business it forms the Ericsson Annual Report 2000. If not accompanied by this document, Understanding our business can be ordered from Ericsson Corporate Communications, tel +46 8 719 0000.

Uncertain factors in the future

'Safe Harbor' Statement under the US Private Securities Litigation Reform Act of 1995

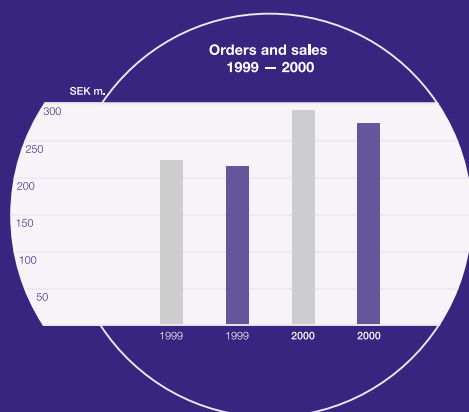
Some statements in this annual report are forward looking and actual results may differ materially from those stated. In addition to the factors discussed, among other factors that may affect results are product demand, effect of economic conditions, exchange-rate and interest-rate fluctuations, impact of competing products and their pricing, product development, product introductions and technological difficulties, political risks in the countries in which the Company has operations or sales, supply constraints, and the results of customer financing efforts.

Cover: Oskar

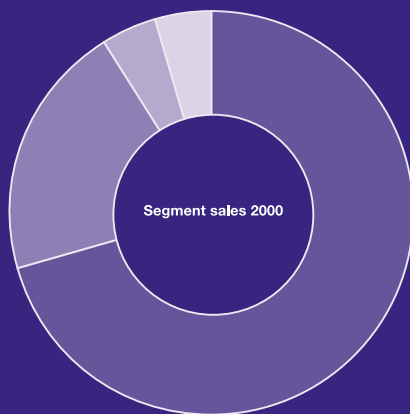
In the Czech Republic, Ericsson installed a complete GSM system in record time. Within six months of receiving the order, over 500 base stations were installed and put into operation.

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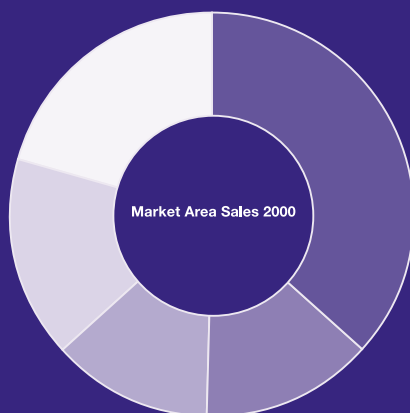
Key financial highlights



● Orders
● Sales



● Network operators
● Consumer products
● Enterprise solutions
● Other operations



● Western Europe
● Central- and Eastern Europe, Middle East & Africa
● North America
● Latin America
● Asia Pacific

Total consolidated results

(SEK billion)	2000	1999	Changes in%
Orders booked	292.3	223.8	31
Net Sales	273.6	215.4	27
Income before tax	28.7	16.4	75
Net income	21.0	12.1	74
Earnings per share, fully diluted (SEK)	2.65	1.54	72
Dividend (SEK)	0.50	0.50	
Cash flow before financing activities	6.4	-2.4	
Return on capital employed (ROCE, %)	26.5	19.0	
Equity ratio (%)	37.7	35.2	
Number of employees	105,129	103,290	2

Segment results

Orders booked

	2000	1999	Changes in%
Network operators	212.4	151.8	40
Consumer products	57.0	47.6	20
Enterprise solutions	17.8	18.0	-1
Other operations	18.6	22.0	-16
Less inter-segment	-13.5	-15.6	-13
Total	292.3	223.8	31

Sales

	2000	1999	Changes in%
Network operators	194.1	149.9	29
Consumer products	56.3	46.4	21
Enterprise solutions	17.5	17.3	1
Other operations	19.0	16.8	14
Less inter-segment orders	-13.3	-15.0	-11
Total	273.6	215.4	27

Operating income

	2000	1999	Changes in%
Network operators ¹	48.5	19.6	
Consumer products ²	-24.2	0.3	
Enterprise solutions	0.0	0.1	
Other operations ³	7.6	0.1	
Unallocated expenses	-0.7	-2.5	
Total	31.2	17.6	
Incl. capital gain from Juniper shares ¹	15.4	-	
Incl. restructuring costs ²	-12.7	-	
Incl. non-operational items ³	7.0	-0.3	

Market Area sales

	2000	1999	Changes in%
Western Europe	100.3	85.3	17
Central- and Eastern Europe, Middle East & Africa	37.7	29.7	27
North America	35.2	25.2	40
Latin America	44.1	30.3	46
Asia Pacific	56.3	44.9	25
Total	273.6	215.4	27

Ericsson in brief

Our main achievements in the year 2000:

- We took the lead in Mobile Internet:

Named supplier in **22** of **33** announced agreements for 3G infrastructure

50 percent of GPRS market won with **64** agreements

Complete **WCDMA** and **CDMA 2000** systems product portfolio launched

New data and network protocols launched, including **IP v6** and **VOICE OVER IP OVER WCDMA**

PARTNERSHIPS formed with **MICROSOFT, IBM** and **WORLDCOM** for development of Mobile Internet applications

- We continued to lead 2G mobile systems:

MAJOR CONTRACT WINS for new or expanded networks achieved, including AT&T Wireless, Telcel, Pegaso and China Telecom

GSM SYSTEMS SALES reached record levels

40 PERCENT

of mobile traffic passes across Ericsson systems

- We took the lead in the wireline migration market:

ENGINE gained **35** percent market share

SUBSTANTIAL DELIVERIES

of ENGINE made to BT, UK

ENGINE ACCESS RAMP, a platform for broadband network access, **LAUNCHED SUCCESSFULLY**

- We established a strong position for datacom and IP backbone:

PARTNERSHIP

formed with Juniper Networks Inc., USA, in Mobile Internet routers

BREAK-THROUGH ORDERS

won from Telia International and China Telecom

- We focused Consumer Products on return to profit:

Clear strategy for **CONSUMER PRODUCTS** defined and under implementation

SMARTPHONE R380, GPRS/Bluetooth-enabled R520, youth orientated mobile phones and a new Bluetooth headset introduced **T20**

Key financial objectives

Strong and competitive value growth for our shareholders is one of Ericsson's most important overall objectives. Our long-term growth objectives were established in 1999, and remain unchanged:

We intend to grow faster than the market, at a rate of at least 20 percent annually, viewed over a five year period. To reach this objective we will maintain or improve our positions in both the Operator and the Consumer oriented areas of our business.

Ericsson strives to have a positive cash flow before strategic acquisitions. Growth of at least 20 percent with a positive cash flow requires a return on capital employed of between 20 and 25 percent for Ericsson as a whole.

We must therefore maintain an average operating margin of at least 10 percent and a capital turnover of two or better.

Return requirements may vary for different parts of our business. A lower operating margin can also be offset by a higher rate of capital turnover.

Ericsson long term financial objectives:

For year 2000 we reached all our financial objectives but one:

- **SALES GROWTH: 27 PERCENT (TARGET + 20)**
- **CASH FLOW: POSITIVE SEK6.4 B. (TARGET POSITIVE)**
- **CAPITAL TURNOVER: 2.1 (TARGET 2)**
- **RETURN ON CAPITAL EMPLOYED: 26.5 PERCENT (TARGET 20-25)**
- **OPERATING MARGIN: 6.1 PERCENT (TARGET: >10)**

Board of directors' report

Ericsson's mission is to understand its customers' opportunities and needs and to provide communications solutions better than any competitor. In doing so, Ericsson shall generate a competitive economic return for its shareholders.

Our long-term goals are to grow faster than the market, with a return on capital employed of 20 to 25 percent and with a positive cash flow before strategic acquisitions.

Our strategy is to maintain our market leadership in mobile systems and to establish Ericsson as the major vendor for Mobile Internet solutions and as a top tier supplier of carrier class multi-service networks with broadband and IP capabilities. We intend to remain a top tier player in mobile phones.

In our outlook for year 2000, we expected a revenue growth of more than 20 percent, combined with a substantial growth in earnings, while maintaining a positive cash flow.

Developments during the year made us change the outlook, so that after nine months we expected a higher revenue growth of around 25 percent, but, due to the difficulties in mobile phones, a reduced operating margin of 6-7 percent compared to 8.2 percent last year, and a negative cash flow.

The full year results are in line with the nine months outlook, with a sales increase of 27 percent and an adjusted operating margin of 6.1 percent. The cash flow was improved over the forecast to be positive through a sale of shares in Juniper Networks in December.

The operational performance by our systems business was very strong during the year, with a sales growth faster than the market at sustained margins. We were encouraged by a very favorable result in 3G awards plus a strong penetration for our ENGINE solution in the "Circuit-to Packet" market. In our handset business, however, we incurred severe setbacks, which we are addressing in our "Back to Profits"-program and with accelerated outsourcing of manufacturing of phones. The resulting overall financial performance is below our goals, and we are taking vigorous actions to restore profitability. The major area of concern is, of course, to solve the problems in our Consumer Products division.

Our goal was also to strengthen our balance sheet and achieve an equity ratio of 40 percent, compared to 35

percent last year. We reached 38 percent and are determined to continue to focus on increased efficiency in capital utilization during 2001.

Capital market, economy

The IT industry had a turbulent year in the stock markets, driven by uncertainty about the "new economy" and speed in market penetration of Internet services. The stock market adjustment also had adverse impact on the market capitalization of more traditional and well-established telecom suppliers, in spite of the favorable overall growth in mobile telephony. Our own market capitalization, which almost tripled from 381 b. to 1 073 b. in 1999 declined 21 percent to 852 b. by the end of 2000. In relation to most of our main competitors, however, our decline is less unfavorable.

Market and Competition

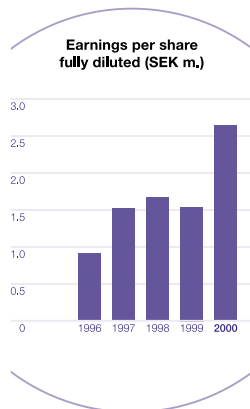
Network Operators

Continued strong subscriber growth and increased minutes of usage per subscriber resulted in strong traffic increases, which led to another year of favorable development for mobile telephony infrastructure. We managed to increase our market share in mobile systems, where we are the undisputed market leader. In fixed networks we achieved a strong market position regarding solutions to migrate current circuit-switched networks to packet-switched for handling of data and Internet traffic.

License granting for 3G started, beginning in Japan and Europe. Initially, license prices in auctions were very high, but declined in auctions later in the year. We have been even more successful than we could hope for and been selected as vendor in 22 of 33 announced deals until the end of the year. This is in recognition of our technology leadership and our proven capabilities as a systems integrator and end-to-end supplier. No competitor is close to this track record.

In the financial markets, some concerns were noticed regarding the operators' financing needs for build-out of 3G networks. New "greenfield" operators were expected to require substantial amounts of vendor financing. Both operators and vendors have received slightly downgraded credit ratings.

We continued to increase our market share also for 2G infrastructure equipment and also won a majority



of the orders for GPRS-systems ("2.5G"). A favorable development in 2000 was the decision by many US- and Latin American operators to switch to GSM technology for their 2.5G networks as a better transition path to 3G. This will benefit us as the market leader in GSM/GPRS. During the year we began to ship 2G CDMA systems, as a result of our acquisition last year of Qualcomm's infrastructure division. We are the only supplier in the market offering all mobile technologies. We also introduced CDMA handsets during the year.

In 2000, we enjoyed strong demand for Ericsson's ENGINE solution for upgrading of existing networks with capabilities for datacom and IP-based telephony. ENGINE is to a large extent utilizing our own earlier development in the broadband area, such as broadband ISDN and optical transmission systems. Thanks to this and our new generation of AXE switches with substantially improved performance, sales and profitability developed favorably also for the multi-service networks operations.

Network Operators sales were particularly strong in the US, Japan and Latin America. The sales development in China was somewhat slower than anticipated, while orders booked increased in the end of the year and we believe capital expenditures for infrastructure is picking up momentum.

Consumer Products

For Consumer Products, year 2000 was characterized by strong market growth, where the global handset volume increased 47 percent from 278 million units sold in 1999 to around 410 million. We were however unable to capitalize in full of this, mainly due to severe problems regarding component supply and quality and to some extent an unfavorable product mix in the entry level segment. The component shortages relate to a fire in a key component supplier's plant as well as a general component shortage in the market. We also incurred quality deficiencies in shipments from another supplier of key components. The shortages led to severe delays in shipments and our products had to be sold at extra discounts. In addition, substantial write-offs of excess and obsolete components and renegotiation of supplier contracts had to be made. An action program including restructuring activities, partnering and full outsourcing of manufacturing was

implemented, with the goal to have the handset business back to profit in the second half of 2001. With a unit volume of 43.3 million, an increase of 38 percent, we lost some market share, but we maintained our number three position among handset vendors. The price competition in handsets increased in the fourth quarter, as a consequence of over-supply mainly in Western Europe, where penetration in many countries is now around operations 60 percent or higher.

Enterprise and Other operations

Our Enterprise operations were reorganized during the year. Increased focus was put on development of Mobile Internet applications, which will be key for the market development of 3G. The PBX and data networks business developed unfavorably. We expect to improve the business substantially going forward, by restructuring of the distribution channels from in-house to third party.

Other operations developed very well, in particular Cables, which increased the sales of fiber optic cables strongly. In our Microelectronics operations, Bluetooth chips started to be shipped, and volumes are expected to increase in the first half of 2001 after release of the approved Bluetooth standard. Defense Systems also had a good year. In the third quarter, Ericsson acquired parts of Hewlett Packard's minority share in the Ericsson-Hewlett Packard joint venture for 1.4 b. Ericsson then integrated the OSS software product activities with the mobile systems operations. The profitability in the remaining EHPT operations within the OSS product segment was unsatisfactory.

Products

During the year, we launched a number of new products and solution elements. In the infrastructure operations, the enhanced AXE, the ENGINE solution, GPRS and CDMA equipment were all very well received. Our new service offering for managed network services was also positively received and we won a number of such contracts. Several new mobile phones were introduced, such as the WAP phone R320, the smart-phone R380, a CDMA phone and the T20, aimed at the entry-level market.

The Ericsson brand was further strengthened by various activities. For the first time, Ericsson participated on the COMDEX fair in the US, with positive attention.

Patents

During the last two decades patents have become increasingly more important for manufacturers within the telecom and IT industries. A strong, well balanced patent portfolio covering present and future technologies and products is now a prerequisite for success within these industries. Such an intangible asset, although not directly traceable in the balance sheet of a company, gives the patent holder strategic as well as other business advantages, for example possibilities to get access to technology through cross-licensing with other companies. At the same time, this focus on patents within the converging technologies also means an increased exposure to allegations of infringement of patents of others.

Since the beginning of the 1990's, Ericsson has safeguarded its investments in Research & Development and met the intense competition by developing a world-class patent portfolio to support its business. Accordingly, Ericsson is well prepared to meet the challenges during the next decade.

During 2000, Ericsson filed in excess of 1300 patent applications to protect our intellectual property rights.

Production and supply

Component shortages were recognized in the industry during the first three quarters of the year, resulting in delivery delays and inventory build-up. In addition, Ericsson was hit by consequences from a fire at a plant belonging to a key component supplier to our mobile phones. In other areas, our supply was greatly improved with considerably shorter lead times for many products. We are also in trials with several customers and vendors for e-commerce solutions. Outsourcing of production continued under year 2000 within both mobile phones and infrastructure, as a reflection of our strategic intent to focus on more value adding areas of development and systems integration. At the end of the year, we decided to outsource all manufacturing of mobile phones and in January, 2001, we signed a memorandum of understanding with Flextronics for this, where production will be transferred in the first half of 2001.

Focused organization

We continued to increasingly focus our business operations on core areas and divested Private Radio Systems and Energy Systems operations during the year. Also most of our real estate properties were sold and real estate management activities in Sweden were outsourced during the year. Also outsourced were activities for internal computer and local area network support in Sweden and other European countries. Manufacturing and design activities in Longuenesse, France, and Östersund and Katrineholm, Sweden, were outsourced in the beginning of the year to Solectron, AU-system and Flextronics.

Acquisitions, partnerships and venture capital funds

In November, we acquired Microwave Power Devices Inc. (MPD) with important competence as a developer of multi-carrier power amplifiers, essential for next generation mobile networks. MPD will be renamed Ericsson Amplifier Technology Inc. The joint venture with Microsoft was established during the year. Its first product, Outlook via Mobile, was launched. We also entered a partnership with Juniper Networks to deliver data-ready Mobile Internet solutions.

The cooperation among the industry leaders in the Symbian joint venture for the EPOC operating system for mobile devices continued successfully, as did the WAP forum for advancement of a standard protocol for mobile phone applications. These joint ventures are key in establishing de facto standards as a base for application development, which will be a key driver for a fast adoption of 3G services. As a major 3G vendor, we are, of course, actively participating in the 3G Partnership Program (3GPP) for further development of the 3G standard.

In order to support the development of Mobile Internet applications, products and services, we initiated and participated in a number of venture capital initiatives during the year in cooperation with financial power-houses: Ericsson Venture Partners together with Investor, Industrivärden and Merrill Lynch, and imGO with Investor and Hutchison Whampoa.

In addition, we also made some direct investments in companies to support Mobile Internet applications, content and technology, such as Red Jade, Merrimac Industries, Littauer Technologies and Mediatude.

In preparation for an expected massive roll out of 3G networks starting at the end of year 2001, we entered a number of cooperation agreements with reputable construction companies such as ABB, SKANSKA and NCC. The objective is to safeguard sufficient capacity and competence to satisfy network build-out demand.

Financial results

Orders booked increased by 31 percent and sales by 27 percent (33 percent and 29 percent, for comparable units), slightly above our outlook.

Orders and sales in our Network Operator segment developed well during the year with orders up 40 percent and sales up 29 percent. Strong demand for 2G infrastructure and ENGINE were main drivers.

In our mobile phones business, sales increased by 21 percent and units shipped by 38 percent. Sales and gross margins were severely impacted by delivery problems from a key supplier, leading to delays and reductions in sales, lower prices and large inventory write-offs. In addition, we also decided to implement an aggressive restructuring program for the phone operations and incurred additional costs. A total of 12.7b. of restructuring charges burdened the operating income of -24.2b., for phones. The restructuring is expected to generate annual savings of 15b from 2002.

Sales increases slowed down the fourth quarter, in particular in Western Europe, North America and Japan. In Europe, operators have begun to cut subsidies of mobile phones, reducing the growth of new subscribers and slowing down replacement. As the penetration is now around 60 percent in many countries, the main objective for operators is to keep the current customer base. A number of firm contracts for 3G were signed in the fourth quarter, underlining our leading position. ENGINE continues to dominate the "Circuit-to-Packet" market. A major break through order for IP backbone network including Juniper routers was won with Telia International.

Our North American operations increased sales for the year strongly. Operators have decided to go for GSM for their 2.5G networks as a way into 3G, which is favorable for us as the market leader in GSM and GPRS. GPRS trials are ongoing. CDMA sales started to pick up momentum and a strategic order for cable modems was won.

In Latin America, sales were very strong in Mexico and

Argentina in particular, plus Brazil. Also in Latin America, operators will go the GSM/GPRS-way to 3G.

In Asia Pacific, the two major markets China and Japan showed slightly different developments. China had moderate sales increases, but strong orders booked. Sales in Japan were very strong but orders increased slower. It seems as if the market in China is beginning to pick up momentum after a comparatively low investment level in 2000.

Exports from Sweden were 158 (131) b., up 21 percent, including sales to consolidated companies.

Other operating revenue includes capital gains net of minorities of 25.2b. of which 19.3b. are operational, including 15.4b. from sales of shares in Juniper Networks. Non-operational capital gains of 5.9b. are the results from divesting of Energy Systems and real estate properties. A pension premium refund in Sweden of 1.1b. is also included among Other operating revenues and considered non-operational.

Operating expenses were 33 percent of sales, above our target of 30 percent, due to increased R&D investments and ramp-up of capacity for 3G as a consequence of higher than expected volume of 3G awards. R&D expenses increased 27 percent, the same rate as sales, whereas Selling and G&A expenses increased slower.

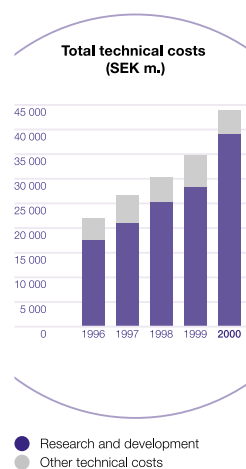
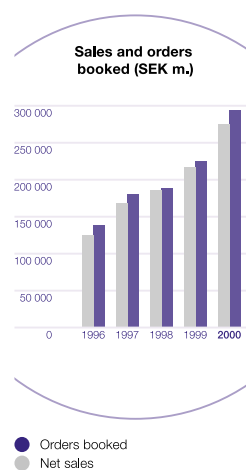
R&D and other technical expenses, including development costs on customer orders increased by 26 percent to 43.8 b. or 16 (16) percent of Net Sales.

Overall, we achieved an adjusted operating margin of 6.1 percent, excluding the capital gain of 15.4 b. from sale of Juniper shares, the additional restructuring provision in phones of 8.0b. and non-operational items of 7.0b.

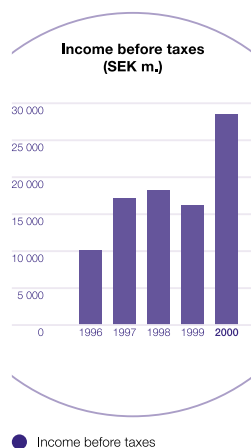
Income effects of changed currency exchange rates compared to the rates during last year were around +1.3b. For mobile phones, however, effects were negative around -3.4b. due to unfavorable exposure from purchases in Japanese yen and US dollars combined with a large share of revenues in Euros.

Income before tax was 28.7 (16.4) b., up 75 percent. The tax rate year to date was as low as 27 percent, since portions of the capital gains were non-taxable.

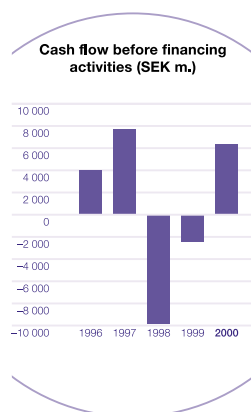
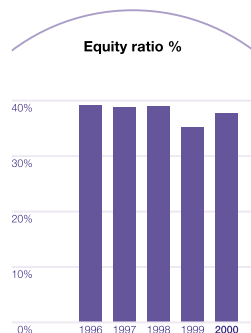
Earnings per share, fully diluted, were SEK 2.65 (1.54). The dilutive effect of this year's employee stock option programs was around 0.2 percent. Earnings per share according to US GAAP were SEK 2.94 (1.92).



Board of directors' report



● Income before taxes



Inventory turnover for the year reached 5.2 (4.8), affected by inventory write-downs. Our target was a level of more than 5.0. Receivables turnover for the year was 3.9 (3.7) turns, slightly below target of 4.0.

Customer financing is granted very selectively and preferably as bridge-financing until our customers find permanent solutions. During the year, we managed to reduce gross on-balance sheet financing by 17 percent, whilst off-balance sheet gross exposure increased only slightly.

Investments in tangible fixed assets were 12.3b., of which 5.1b. in Sweden.

The equity ratio at year-end was 37.7 (35.2) percent. We did not reach our target of 40 percent and we will continue our efforts to improve capital efficiency, in particular regarding inventory and receivables.

Cash flow before financing activities year to date was 6.4 (-2.4) b., with the positive effects of sales of shares and divestment of Energy Systems and real estate offsetting increases in inventory and receivables.

Cash flow from financing activities includes cash receipts from sales of convertible debentures and cash outlays for repurchases of our own stock related to the employee stock option programs.

Network operators

With order growth and sales stronger than the market, operating margin improved to 17 (13) percent. Orders and sales were strong for all mobile standards, and good order bookings were achieved for our ENGINE solution. Also Mini-link transmission equipment had a

strong increase from last year. The operating income reflects an increased investment level in R&D and other preparations for rapid rollout of 3G.

Consumer products

We increased unit sales by 38 percent to 43.3 million units. Revenues in SEK grew slower, by 21 percent, to 56.3b., a result of lost sales due to component supply, unfavorable product mix and an over-supply situation in the end of the year, with strong price erosion. The full year loss at -16.2b. is in line with guidance after nine months and includes 4.7b. of restructuring charges. Additional restructuring provisions of 8b. were made at year-end, of which 2b. relate to the original restructuring program and an additional 6b. relate to the complete outsourcing of manufacturing of phones to Flextronics. In the third quarter, we entered an outsourcing agreement with Taiwan-based ARIMA, for development and production of mobile phones according to our specifications. A similar agreement was entered with another Taiwanese company, GVC, in January, 2001.

Enterprise solutions

The consulting business grew substantially during the year and was increasingly focused on Internet applications. Orders and sales were flat and the operating margin was slightly down, however, in the traditional business with enterprise communications solutions of PBXs and data networks we are reorganizing the distribution channels in order to improve the profitability.

Segment results 2000

Segment (SEK b.)	Orders booked	Order growth percent	Sales	Sales growth percent	Adjusted Operating income	Adjusted Operating margin 2000 percent	Adjusted Operating margin 1999 percent	Employees
Network Operators	212.4	40	194.1	29	33.1	17	13	70,317
Consumer Products	57.0	20	56.3	21	-16.2	-29	1	16,840
Enterprise Solutions	17.8	-1	17.5	1	0	0	0	8,324
Other operations	18.6	-16	19.0	14	1.7	9	2	8,520
Unallocated					-1.9			1,128
Inter-segment sales	-13.5		-13.3					
Total	292.3	31	273.6	27	16.7	6	8	105,129
Adjustments:								
Capital gain Juniper					15.4			
Non-operational items					7.0			
Additional restructuring					-8.0			
Operating income					31.2			

Other operations and unallocated costs

During the year we have divested our Energy systems business and real estate properties. These effects are reported among non-operational capital gains. Among remaining business operations, Cables, Defense systems and Microelectronics all had very strong sales increases. Orders increased very well too, except in Defense systems, where a large ERIEYE order last year makes this year's bookings lower. Unallocated costs decreased more than 20 percent compared to last year. A pension premium refund of 1.1b. is included in non-operational items.

New segment reporting for 2001

For enhanced comparability with peer companies in our industry as well as competitive reasons, we will in 2001 report orders, sales and operating income according to our primary areas of business - Systems, Phones and Other operations. Within the Systems business, orders and sales for mobile systems and multi-service networks will be separately disclosed, although there is a high degree of integration within systems for R&D, customers, implementation and support services.

Changes within Ericsson during the year

A new organization was implemented during the second half to enhance Ericsson's competitive position in a market with converging telecom and data networks and new operators. The business operations directly addressing our key markets will be handled in three divisions:

- Mobile Systems
- Multi-service Networks
- Consumer Products

Three additional divisions were established to focus on development and supply of products and services in core areas of infrastructure business:

Global Services, with focus on systems implementation and integration plus other key services, such as network management and optimization. We know that many operators will need new network management tools and services for the increasingly complex networks we will see in 3G, with new types of traffic and new business models for billing and revenue generation.

Data Backbone and Optical networks, with focus on packet-switching and IP telephony to support

multi-service networks as well as Mobile networks with data traffic capabilities for fixed and Mobile Internet.

Internet applications, which we look upon as an important ingredient for operators to be successful in the 3G environment, to be competitive and to generate traffic and revenue in their networks.

These divisions will enhance the competitiveness of Ericsson's infrastructure offering to our key network operator customers of mobile and fixed networks.

The previous segment Enterprise Solutions was restructured, with consulting operations transferred to the new Internet applications division and internal IT support activities organized as a new internal service unit. The remaining enterprise market related activities for PBXs, business phones and data networks were organized in a new unit, "Enterprise Networks", included in Other business operations, and its sales and distribution channels in local Ericsson companies are planned to be spun-out and sold to a third party.

Other business operations now include Cables, Defense systems, Enterprise Networks and Microelectronics.

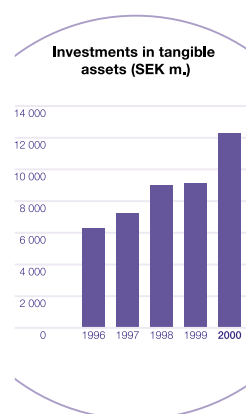
At the beginning of the year, Private Radio Systems was sold to US-based Com-Net Critical Communications with no material capital gain. Energy Systems were sold to Emerson on April 1, with a net capital gain of 4.5b. Most of our real estate properties were sold during 2000, with a net capital gain of 1.5b. The component distribution activities within the Microelectronics operations were sold to France-based Electrodis.

Employees

At year-end 2000, Ericsson had 105,129 employees world-wide, a net increase of 1,839 during the year, mainly as a result of increased R&D efforts for 3G. A reduction of approximately 5,900 related to outsourced or divested operations was offset by additions of 400 in purchased units and 7,400 in other increases.

Extensive employee training activities were held during 2000 to increase the knowledge and understanding of the Internet. All employees were encouraged to take certificates in PC and general data/Internet skills.

During the year, two seven year employee stock option programs were implemented, affecting around 8,000 employees. For year 2000, these programs had a dilutive effect on earnings per share of 0.2 percent.



Environmental issues

Ericsson has production operations in nine countries, for the assembly of electronic components and manufacturing of cables and components. The environmental impact of these operations consists of emissions to air and water, waste products and noise. Chemicals used include flux and soldering paste and powder lacquer. Life cycle analysis of our products show the largest impact on the environment to be their energy consumption in use. Ericsson is fully exploiting the IT industry's inherent possibilities to miniaturize products and reduce their energy consumption, which often reduces the unfavorable environmental impact for a given function considerably.

Swedish regulations requiring permissions or reporting
Ericsson has 14 production facilities in Sweden. For seven of these, permission is required for operations due to noise or emissions into air or water, while five units are obliged to report certain hazardous activities. No material requests or complaints have been received during the year.

ISO-certificates

The ISO 14001 environmental management system is scheduled for implementation in all production units. In Sweden, most of Ericsson's production units have already been certified with remaining units to be audited in 2001.

Environmental liabilities

Within the environmental management system, the Company's environmental liabilities are continuously monitored. When needed, additional controls are made of real estate properties and production facilities. Around half of the Company's manufacturing units are located in Sweden.

In connection with the sales during 2000 of a majority of the Company's real estate properties, environmental liabilities were identified and resolved. For the Swedish units, the total remaining liability for environmental damages is less than SEK 40 million. For units outside Sweden, only one material damage is known concerning a facility in Holland. The liability issue is now regulated in an agreement with the Dutch authorities and a provision for this liability is made in the accounts.

No other material liabilities are known.

For further information on Ericsson's environmental activities, please see our separate Environmental Report for 2000.

The Board of Directors and board procedures

On January 7, 2000, Lars-Eric Petersson resigned from the Board of Directors in relation to being appointed Chairman of Telia, the Swedish network operator. Messrs Niall FitzGerald and Eckhard Pfeiffer were elected directors of the Board at the Annual General Meeting on March 31, 2000.

The Board of Directors of Telefonaktiebolaget LM Ericsson consists of nine directors elected by the shareholders at the Annual General Meeting, as well as three employee representatives, each with a deputy, appointed by their respective employee organization. Eleven Board meetings were held during year 2000. The observations made by the Company auditors have been reported to the Board.

The work of the Board is subject to a work procedure of the Board adopted and revised by the Board at least once a year. The work procedure stipulates the division of work among the Board and its three committees and between the Board and the President and the CEO, respectively. The members of the three committees, Audit, Finance and Remuneration are all Board members. The Board has authorized each committee to decide on certain issues and the Board may also provide extended authorization to a committee to decide on specific matters.

Management changes

Effective February 15, Jan Wäreby, previously Executive Vice President Market area Europe/Middle East/Africa, succeeded Johan Siberg as Executive Vice President for the Consumer Products segment. Johan Siberg, Executive Vice President, assumed a position as coordinator of Swedish operations, reporting to the President.

Ragnar Bäck and Karl Alsmar, Presidents in our Italian and German subsidiaries, took up positions as Executive Vice Presidents head of of Market Area Western Europe and Market Area Central- and Eastern Europe, Middle East and Africa respectively. Per-Arne Sandström was appointed Executive Vice President, and head of Market Area North America, succeeding Bo Dimert, who retired.

Carl Olof Blomquist was appointed Senior Vice President and Head of Corporate function Legal Affairs.

Three new divisions were established mid-year, led by Executive Vice Presidents:

- Data Backbone and Optical Networks, Mike Thürk
- Internet Applications, Haijo Pietersma
- Global Services, Bert Nordberg

Effective January 1, 2001, the Board of Directors appointed President Kurt Hellström also Chief Executive Officer.

Post closing events

In January, Ericsson was appointed also by Portuguese operator TMN as a 3G supplier. Ericsson has entered a partnership in Japan with eBANK to advance the use of e-commerce in Japan. The services will be made safe using Ericsson's products: the Internet payment server Safetrader™ and the Jalda™ system.

In January, Ericsson won another significant order for ENGINE with WorldCom. Ericsson is supporting faster roll out of 3G through the opening on March 1 of two centers for 3G inter-operability testing, where other vendors can bring their equipment to be tested against Ericsson's complete systems.

Ericsson is also forming a wholly owned company dedicated to support Internet services in mobile and multiservice networks, Ericsson Internet Applications and Solutions AB. At the same time, the division Internet Applications is dissolved, and Executive Vice President Haijo Pietersma will leave Ericsson. The Internet Solutions organization is transferred to division Global Services.

Outlook for year 2001

A more uncertain economic environment and a more cautious capital market contribute to more uncertainty also in our industry. However, we remain optimistic about our business.

We have won most of the contracts for the next generation networks. Therefore we are increasing investments to secure our fast start in 3G.

For the first quarter 2001, we see continued strong growth for systems and lower sales for phones. Overall, we expect to increase sales by around 15 percent for comparable units. Income before tax is expected to be around zero, affected by operating losses in

phones and increased 3G investments. Later in the year we will begin to benefit from the restructuring of our phones business.

For the full year 2001, we expect sales to grow between 15 and 20 percent and an operating margin in the range of 6-8 percent.

Parent company Telefonaktiebolaget LM Ericsson

The parent company's results include the operations conducted on commission basis by Ericsson Treasury Services AB and Ericsson Credit AB. The commission agreement with Ericsson Telecom AB was cancelled as per January 1, 2000, at which time also assets of 6.6 b. were transferred.

The parent company has branch- and representative offices in 44 (45) countries. Net Sales for the parent company were 1.2 (15.4) b. The lower sales are related to the termination of the commission agreement with Ericsson Telecom AB. Income after financial items was 9.0 (3.2) b.

Major changes in the company's financial position were:

- increased investments of 11b., of which 9.5b. in subsidiaries in Sweden
- increased short-term and long-term loans to subsidiaries of 18.2b.
- increased cash and short-term cash investments of 8.7 b.

These investments were financed primarily through increased internal borrowings. At year-end, cash and short-term cash investments amounted to 25.8 (17.1) b.

Repurchase of shares

Repurchase of shares became possible in Sweden in 2000 due to new legislation. Ericsson has utilized this opportunity and repurchased 1.8 million shares related to an employee stock option program. Such shares are not entitled to dividends.

Proposed disposition of earnings

Available for distribution by the shareholders at the Annual General Meeting are SEK 21,128,328,952.

The Board of Directors proposes that earnings be distributed as follows:

An unchanged dividend of SEK 0:50 per share to be paid to shareholders duly registered on the Record date	SEK 3,954,289,352
The remainder to be retained within the business	SEK 17,174,039,600
<u>Total amount available</u>	<u>SEK 21,128,328,952</u>

1,804,000 Ericsson B shares held as treasury stock by the parent company are not entitled to a dividend.

Stockholm January 26, 2001

Telefonaktiebolaget LM Ericsson (publ)

Org. no. 556016-0680

Tom Hedelius
Deputy chairman

Lars Ramqvist
Chairman

Marcus Wallenberg
Deputy chairman

Göran Lindahl

Sverker Martin-Löf

Clas Reuterskiöld

Peter Sutherland

Eckhard Pfeiffer

Niall FitzGerald

Göran Engström

Jan Hedlund

Per Lindh

Kurt Hellström
President and CEO

Years ended December 31, SEK m.	Note	2000	1999	1998
Net sales	1	273,569	215,403	184,438
Cost of sales		-180,392	-125,881	-105,251
Gross margin		93,177	89,522	79,187
Research and development and other technical expenses		-41,921	-33,123	-28,027
Selling expenses		-34,706	-30,005	-24,108
Administrative expenses		-13,311	-11,278	-8,922
Other operating revenues	2	27,652	2,224	995
Share in earnings of associated companies		274	250	148
Operating income		31,165	17,590	19,273
Financial income	3	2,929	2,273	2,228
Financial expenses	3	-4,449	-2,971	-2,465
Income after financial items		29,645	16,892	19,036
Minority interest in income before taxes		-953	-506	-826
Income before taxes*		28,692	16,386	18,210
Taxes				
Income taxes for the year	4	-7,998	-4,358	-5,409
Minority interest in taxes		324	102	240
Net income		21,018	12,130	13,041
Earnings per share, basic SEK	5	2.67	1.55	1.67
Earnings per share, fully diluted, SEK	5	2.65	1.54	1.67

*Capital gains/losses, net of minority, included in income before taxes	25,229	1,843	234
Operational gains/losses	19,296	2,171	876
Non-operational gains/losses	5,933	-328	-642

Ratios – Income statements items as percentage of net sales

Gross margin	34.1%	41.6%	42.9%
Operating expenses	32.9%	34.5%	33.1%
Operating margin	11.4%	8.2%	10.4%
Adjusted operating margin**	6.1%	8.3%	10.8%
Return on sales	12.5%	9.2%	11.7%

Other Ratios

Return on capital employed	26.5%	19.0%	24.9%
Capital employed turnover	2.1	2.1	2.1
Accounts receivable turnover	3.9	3.7	3.8
Inventory turnover	5.2	4.8	4.2

****Operating income adjustments for items affecting comparability**

Capital gain Juniper Networks	15,383	-	-
Non-operational gains/losses	5,933	-328	-642
Pension premium refund	1,100	-	-
Additional restructuring provision in Consumer Products	-8,000	-	-
Total adjustments	14,416	-328	-642
Adjusted operating income	16,749	17,918	19,915

**Consolidated
Balance Sheet**

December 31, SEK m.	Note	2000	1999
Assets			
Fixed assets			
Intangible assets	6	12,833	10,548
Tangible assets	7, 23, 25	22,378	24,719
Financial assets	8		
Equity in associated companies		2,790	2,712
Other investments		2,484	1,751
Long-term customer financing		6,364	6,657
Other long-term receivables		3,657	4,972
		<u>50,506</u>	<u>51,359</u>
Current assets			
Inventories	10	43,933	25,701
Receivables			
Accounts receivable - trade	11	74,973	63,584
Short-term customer financing		1,267	1,749
Other receivables	13	44,029	31,227
Short-term cash investments		18,779	13,415
Cash and bank		16,827	15,593
		<u>199,808</u>	<u>151,269</u>
Total assets		250,314	202,628
Assets pledged as collateral	20	435	2,068

Stockholders' equity, provisions and liabilities

Stockholders' equity	14		
Capital stock		7,910	4,893
Reserves not available for distribution		32,600	32,618
Restricted equity		40,510	37,511
Retained earnings		30,158	19,535
Net income		21,018	12,130
Non-restricted equity		51,176	31,665
		91,686	69,176
Minority interest in consolidated subsidiaries		2,764	2,182
Provisions	16	27,650	22,552
Long-term liabilities	17, 20		
Notes and bond loans		15,884	17,486
Convertible debentures		4,346	5,453
Liabilities to financial institutions		1,320	1,448
Other long-term liabilities		744	567
		22,294	24,954
Current liabilities			
Current maturities of long-term debt		3,188	1,491
Current liabilities to financial institutions	18	12,289	10,519
Advances from customers		6,847	6,437
Accounts payable — trade		30,156	21,618
Income tax liabilities		5,080	2,397
Other current liabilities	19	48,360	41,302
		105,920	83,764
Total stockholders' equity, provisions and liabilities¹		250,314	202,628
Contingent liabilities	21	11,184	10,127

¹ Of which interest-bearing provisions and liabilities 46,563 (45,020) (current portion 15,477 (12,010))

**Consolidated Statements
of Cash Flows**

Years ended December 31, SEK m.	Note	2000	1999	1998
Operations				
Net income	22	21,018	12,130	13,041
Adjustments to reconcile net income to cash				
Minority interest in net income		629	404	586
Undistributed earnings of associated companies		-70	18	-359
Depreciation and amortization		10,936	7,382	6,081
Capital gains on sale of fixed assets		-25,278	-1,399	-230
Taxes		1,859	-947	-2,301
Changes in operating net assets				
Inventories		-18,305	714	-2,056
Customer financing, short-term and long-term		946	722	-5,727
Accounts receivable — trade and other operating assets		-19,545	-19,562	-10,695
Provisions and other operating liabilities		16,962	13,463	9,054
Cash flow from operating activities		-10,848	12,925	7,394
Investments				
Investments in tangible assets		-12,293	-9,085	-8,965
Sales of tangible assets		6,620	625	632
Acquisitions/sales of other investments, net	22	22,643	-4,768	-8,865
Net change in capital contributed by minority		10	134	35
Other		264	-2,270	-56
Cash flow from investing activities		17,244	-15,364	-17,219
Cash flow before financing activities		6,396	-2,439	-9,825
Financing				
Changes in current liabilities to financial institutions, net	22	799	3,854	955
Issue of convertible debentures		1,048	58	19
Proceeds from issuance of other long-term debt		1,760	15,163	3,366
Repayments of long-term debt		-1,296	-1,515	-1,332
Gain on sale of own stock options and convertible debentures ¹		2,018	-	-
Repurchase of own stock ¹		-386	-	-
Dividends paid		-4,179	-4,010	-3,800
Cash flow from financing activities		-236	13,550	-792
Effect of exchange rate changes on cash		438	-336	-277
Net change in cash		6,598	10,775	-10,894
Cash and cash equivalent, beginning of period		29,008	18,233	29,127
Cash and cash equivalent, end of period		35,606	29,008	18,233

**Parent Company
Income Statement**

Years ended December 31, SEK m.	Note	2000	1999	1998
Net sales	1	1,195	15,375	16,836
Cost of sales		-1,669	-10,944	-11,657
Gross margin		-474	4,431	5,179
Research and development and other technical expenses		-166	-5,386	-6,324
Selling expenses		-1,581	-4,116	-2,370
Administrative expenses		-1,142	-2,580	-1,889
Other operating revenues	2	3,061	3,155	2,666
Operating income		-302	-4,496	-2,738
Financial income	3	12,352	9,915	6,052
Financial expenses	3	-3,090	-2,202	-1,942
Income after financial items		8,960	3,217	1,372
Appropriations to (-)/transfers from untaxed reserves				
Changes in depreciation in excess of plan	15	74	371	204
Changes in other untaxed reserves	15	70	-2,691	-174
		144	-2,320	30
Contributions from subsidiaries, net		700	5,292	4,749
Income before taxes		9,804	6,189	6,151
Income taxes for the year	4	-671	-623	-419
Net income		9,133	5,566	5,732

**Parent Company
Balance Sheet**

December 31, SEK m.	Note	2000	1999
Assets			
Fixed assets			
Intangible assets	6	33	56
Tangible assets	7, 25	96	828
Financial assets			
Investments			
Subsidiaries	8, 9	35,353	24,364
Associated companies	8, 9	1,008	1,039
Other investments	8	84	53
Receivables from subsidiaries	12	22,682	17,925
Long-term customer financing	8	6,320	6,320
Other long-term receivables	8	1,370	2,129
		66,946	52,714
Current assets			
Inventories	10	3	952
Receivables			
Accounts receivable — trade	11	102	2,402
Short-term customer financing		629	178
Receivables from subsidiaries	12	35,757	22,336
Other receivables	13	9,648	9,184
Short-term cash investments		17,361	12,062
Cash and bank		8,501	5,028
		72,001	52,142
Total assets		138,947	104,856
Assets pledged as collateral	20	322	1,845

December 31, SEK m.

Note

2000

1999

Parent Company
Balance Sheet**Stockholders' equity, provisions and liabilities**

Stockholders' equity	14		
Capital stock		7,910	4,893
Share premium reserve		3,685	1,941
Revaluation reserve		20	20
Statutory reserve		6,741	9,681
Restricted equity		18,356	16,535
Retained earnings		11,995	10,734
Net income		9,133	5,566
Non-restricted equity		21,128	16,300
		39,484	32,835
Untaxed reserves	15	5,262	5,406
Provisions	16	2,833	5,513
Long-term liabilities			
Notes and bond loans	17	15,884	17,486
Convertible debentures	17	4,346	5,453
Liabilities to financial institutions	17, 20	322	370
Liabilities to subsidiaries	12, 17	13,345	3,454
Other long-term liabilities	17	37	53
		33,934	26,816
Current liabilities			
Current maturities of long-term debt		2,713	587
Current liabilities to financial institutions	18	4,756	929
Advances from customers		34	252
Accounts payable — trade		527	821
Liabilities to subsidiaries	12	45,360	25,601
Income tax liability		265	229
Other current liabilities	19	3,779	5,867
		57,434	34,286
Total stockholders' equity, provisions and liabilities		138,947	104,856
Contingent liabilities	21	13,406	11,611

Parent Company
Statement of Cash Flows

Years ended December 31, SEK m.	Note	2000	1999	1998
Operations				
Net income	22	9,133	5,566	5,732
Adjustments to reconcile net income to cash				
Depreciation and amortization		56	322	442
Capital gains (-)/losses on sale of fixed assets		-2,268	41	1,022
Appropriations to/transfers from (-) untaxed reserves		-144	2,320	-30
Unsettled contributions from (-)/to subsidiaries		-190	-5,200	-4,700
Unsettled dividends		-3,800	-3,904	-2,290
Changes in operating net assets				
Inventories		2	655	164
Customer financing, short-term and long-term		-514	-6,188	-164
Accounts receivable — trade and other operating assets		4,023	-155	5,133
Provisions and other operating liabilities		-771	1,752	-237
Cash flow from operating activities		5,527	-4,791	5,072
Investments				
Investments in tangible assets		-91	-368	-396
Sales of tangible assets		331	1,810	247
Acquisitions/sales of other investments, net	22	-3,174	-5,185	-5,978
Lending, net		-24,086	-4,397	-4,706
Other		1,705	-1,705	-
Cash flow from investing activities		-25,315	-9,845	-10,833
Cash flow before financing activities		-19,788	-14,636	-5,761
Financing				
Changes in current liabilities to financial institutions, net		3,797	890	-206
Changes in current liabilities to subsidiaries		29,628	11,120	-4,181
Proceeds from issuance of other long-term debt		-	13,323	2,645
Repayments of long-term debt		-55	-556	-428
Repurchase of own stock		-386	-	-
Dividends paid		-3,918	-3,904	-3,410
Other		-506	456	269
Cash flow from financing activities		28,560	21,329	-5,311
Net change in cash		8,772	6,693	-11,072
Cash and cash equivalent, beginning of period		17,090	10,397	21,469
Cash and cash equivalent, end of period		25,862	17,090	10,397

Notes to the financial statements

Accounting principles

The consolidated financial statements of Telefonaktiebolaget LM Ericsson and its subsidiaries ("the Company") are prepared in accordance with accounting principles generally accepted in Sweden, thereby applying the Swedish Financial Accounting Standards Council's (RR) recommendations. These accounting principles differ in certain respects from those in the United States. For a description of major differences, see Note 24.

A Principles of consolidation

The consolidated financial statements include the accounts of the Parent Company and all subsidiaries. Subsidiaries are all companies in which the Company has an ownership and directly or indirectly has a voting majority or by agreement has a decisive influence. Intercompany transactions have been eliminated.

The consolidated financial statements have been prepared in accordance with the purchase method, whereby consolidated stockholders' equity includes equity in subsidiaries and associated companies earned only after their acquisition.

In the consolidated Income Statement, minority interests are, in deviation from the Swedish Financial Accounting Standards Council's recommendation RR01, divided into two items; share in income before taxes and share in taxes. The reason is that this method, considering the significant minority interest holdings in the group during the last years, gives a more fair view of the important measure Income before taxes.

Material investments in associated companies, where voting stock interest is at least 20 percent but not more than 50 percent, are accounted for according to the equity method. Ericsson's share of income before tax in these companies is reported in item "Share in earnings of associated companies", included in the Operating Margin. Taxes are included in item "Taxes". Unrealized internal profits in inventory in associated companies purchased from subsidiaries are eliminated in full in the consolidated accounts. Investments in associated companies are shown at equity after adjustments for unrealized intercompany profits and unamortized goodwill (see (B) below).

Undistributed earnings of associated companies included in consolidated restricted equity are reported as "Equity proportion reserve". Minor investments in associated companies and all other investments are

accounted for as Other investments, and carried at the lower of cost or fair market value.

B Goodwill

Goodwill, positive and negative, resulting from acquisitions of consolidated companies is amortized/reversed according to individual assessment of each item's estimated economic life, resulting in amortization periods of up to 20 years. Depending on the nature of the acquisition, goodwill amortizations are reported under "Research and development and other technical expenses", "Selling expenses" or "Administrative expenses".

C Translation of foreign currency financial statements

For most subsidiaries and associated companies, the local currency is the currency in which the companies primarily generate and expend cash, and is thus considered their functional (business) currency. Their financial statements plus goodwill related to such companies, if any, are translated to SEK using the current method, whereby any translation adjustments are reported directly to stockholders' equity. When a company accounted for in accordance with these principles is sold, accumulated translation adjustments are included in the consolidated income.

Financial statements of companies with finance activities or other companies, having such close relations with the Swedish operations that their functional currency is considered to be the Swedish krona, are labeled "integrated companies" and are translated using the monetary method. Adjustments from translation of financial statements of these companies are included in the consolidated Income Statement (see Note 14).

Financial statements of companies operating for example in countries with highly inflationary economies, whose functional currency is considered to be another currency than local currency, are translated in two steps. In the first step, remeasurement is made into the functional currency. Gains and losses resulting from this remeasurement are included in the consolidated Income Statement. In the second step, from the functional currency to Swedish kronor, balance sheet items are translated at year-end exchange rates, and income statement items at the average rates of exchange during the year. The resulting translation adjustments

are reported directly against stockholders' equity. In our opinion, the remeasurement method, which is in accordance with U.S. GAAP FAS 52, gives a more fair view of these financial statements, since companies concerned operate in de facto US dollar-, Euro- or Deutchmark-based economies.

D Translation of foreign currency items in individual companies

In the financial statements, receivables and liabilities in foreign currencies have been translated at year-end exchange rates.

Gains and losses on foreign exchange are divided into operational and financial. Net operational gains and losses are included in Cost of sales. Gains and losses on foreign exchange attributable to financial assets are included in financial income, and gains and losses related to financial liabilities are included in financial expenses.

Translation effects related to permanent financing of foreign subsidiaries are reported directly to Stockholders' equity, net of tax effects.

E Valuation of short-term cash investments and derivatives

Short-term cash investments held by companies other than Ericsson Treasury Services AB are valued at the lowest of acquisition cost plus accrued interest and market value.

Short-term cash investments and interest related derivatives in Ericsson Treasury Services AB are valued to the lowest of total acquisition cost and total market value in accordance with the lower of cost or market principle. Unrealized gains are reserved.

Derivative instruments are used mainly to hedge financial interest and currency risks. Forward exchange options and investments hedging certain positions have been valued in a manner reflecting the accounting for the hedged position. Interest-related derivatives linked to specific investments or loans or which are applied to hedge interest positions are valued in the same manner as the hedged position.

Gains and losses from derivatives in Ericsson Treasury Services AB are reported net as other financial income/expenses. For other companies, gains and losses are reported in the same manner as the underlying position.

When a transaction hedged in advance ceases to be an exposure, the hedge is closed. Hereby deviations

between actual and hedged flows are recognized in income as soon as they are identified.

Financial assets and liabilities, including unrealized gains and losses on derivatives, are reported net in the Balance Sheet only when accounting principles so permit, for example when ISDA-agreements are signed.

F Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation, adjusted with net value of revaluations.

Annual depreciation is reported as plan depreciation, generally using the straight-line method, with estimated useful lives of, in general, 40 years on buildings, 20 years on land improvements, 3 to 10 years on machinery and equipment, and up to 5 years on rental equipment. Depreciation is included in Cost of Sales and in the respective functional operating expenses.

G Inventories

Inventories are valued at the lower of cost or market on a first-in, first-out (fifo) basis. Consideration has been given to risks of obsolescence.

H Revenue recognition

Sales revenue is recorded upon delivery of products, software and services according to contractual terms and represent amounts realized, excluding value-added tax, and are net of goods returned, trade discounts and allowances.

Revenue from construction-type contracts is recognized successively. If costs required to complete such contracts are estimated to exceed remaining revenues, provision is made for estimated losses.

For sales between consolidated companies, as a rule the same pricing is applied as in transactions with other customers, taking into account, however, that certain costs do not arise in transactions between affiliated companies.

I Research and development costs

Research and development costs are expensed as incurred. Costs based on orders from customers are included in Cost of sales.

J Leasing

Property leases with the company as lessee are normally expensed over the term of the lease. The Company

applies the Swedish Financial Accounting Standards Council's recommendation No. 6 for material lease contracts. Accordingly, certain leasing contracts are capitalized and reported as acquisitions of tangible assets and as other current liabilities and other long-term liabilities.

K Deferred tax in untaxed reserves

The Company reports deferred taxes attributable to temporary differences between the book value of assets and liabilities and their tax value, and also deferred tax receivables attributable to unutilized loss carryforwards with a probability to be used greater than 50 percent.

Appropriations and Untaxed reserves are not reported in the consolidated financial statements. Such items reported by consolidated companies have been reversed, applying the current tax rate applicable in each country. The deferred tax so calculated is shown in the consolidated income statement as Deferred taxes.

The after-tax effect is stated in the income statement as part of net income for the year, and in the balance sheet as restricted stockholders' equity.

The accumulated deferred tax liability is adjusted each year by applying the current tax rate in each country and is reported in the consolidated balance sheet as Deferred tax. An adjustment of deferred tax liability attributable to changes in tax rates is shown in the consolidated income statement as a part of the deferred tax expense for the period.

L Statement of cash flows

Statement of Cash Flows is prepared principally in accordance with recommendation RR07 from the Swedish Financial Accounting Standards Council. The Statement of Cash Flows shows changes in the cash position during the year attributable to operations, investing activities and financing activities respectively.

Foreign subsidiaries' transactions are translated at the average exchange rate during the period. Subsidiaries purchased and/or sold, net of cash acquired/sold, are reported as cash flow from investment activities and do not affect reported cash flow from operations.

In preparation of the Statement of Cash Flows, changes in deferred tax assets and liabilities have been taken into account. Cash consists of cash, bank and short-term investments due within 12 months.

M Employee stock options

Compensation costs of providing shares or rights to shares are charged to the income statement over the vesting period. The compensation cost is the difference between the market price of the share at grant date and the price to be paid by the employee.

When the options are exercised, in certain countries, social security charges are to be paid on the value of the employee benefit. During the vesting period, preliminary social security charges are accrued. These are reduced by income from hedging arrangements.

N Earnings per share

Basic earning per share are calculated by dividing net income by the average number of shares outstanding during the year.

Diluted earnings per share are calculated by dividing adjusted net income by the sum of the average number of shares outstanding plus all additional shares that would have been outstanding if all convertible debentures were converted and stock options are exercised. Net income is adjusted by reversal of interest expense for convertible debentures net of tax.

O Operations on commission basis reported in the Parent Company

Ericsson Treasury Services AB and Ericsson Credit AB conducted their operations on commission basis for the Parent Company as in 1999.

The commission agreement between Ericsson Telecom AB and the Parent Company, signed in 1987, was cancelled as per January 1, 2000. Therefore, the company is not included in the Parent Company figures.

Notes to the financial statements

In millions of Swedish kronor (except per share amounts), unless otherwise stated.

1

Net sales by market area and business segment

Market areas

Consolidated	2000	1999	1998
Western Europe*	100,234	85,329	75,650
Central and Eastern Europe, Middle East & Africa	37,701	29,736	21,806
North America	35,193	25,175	18,560
Latin America	44,118	30,263	25,537
Asia Pacific	56,323	44,900	42,885
Total	273,569	215,403	184,438
*Of which Sweden	8,732	7,551	8,509
*Of which EU	94,293	80,345	71,094

Parent Company	2000	1999	1998
Western Europe*	18	7,832	8,839
Central and Eastern Europe, Middle East & Africa	1,037	3,075	2,476
North America	-	273	202
Latin America	107	2,036	2,362
Asia Pacific	33	2,159	2,957
Total	1,195	15,375	16,836
*Of which Sweden	-	2,346	2,062
*Of which EU	-	8,047	7,903

Business segments

Consolidated	2000	1999	1998
Network operators and service providers	194,074	149,943	
Consumer products	56,343	46,444	
Enterprise solutions	17,479	17,345	
Other operations	19,027	16,750	
Less: inter segment sales	-13,354	-15,079	
Total	273,569	215,403	

Parent Company sales are mainly related to business segment Network operators and service providers.

2

Other operating revenues

Consolidated	2000	1999	1998
Gains on sales of intangible and tangible assets	2,107	307	89
Losses on sales of intangible and tangible assets	-731	-244	-303
Gains on sales of investments and operations	24,133	1,733	1,208
Losses on sales of investments and operations	-231	-397	-764
Sub-total	25,278*	1,399	230
Commissions, license fees and other operating revenues	2,374	825	765
Total	27,652	2,224	995

* Operational gains/losses			
Network operators and service providers	17,817		
Consumer products	911		
Enterprise solutions	99		
Other operations	545		
Non operational gains/losses	5,906		
Total	25,278		

Parent Company	2000	1999	1998
Commissions, license fees and other operating revenues	3,128	3,210	2,735
Net losses (-) on sales of tangible assets	-67	-55	-69
Total	3,061	3,155	2,666

3

Financial income and expenses

Consolidated	2000	1999	1998
Financial Income			
Result from securities and receivables accounted for as fixed assets	1,624	1,426	892
Other interest income and similar profit/loss items	1,305	847	1,336
Total	2,929	2,273	2,228
Financial Expenses			
Interest expenses and similar profit/loss items	4,449	2,971	2,465
Total	4,449	2,971	2,465
Financial Net	-1,520	-698	-237

Parent Company	2000	1999	1998
Financial Income			
Result from participations in subsidiaries			
Dividends*	6,531	7,750	4,026
Net gains on sales	228	-	468
Result from participations in associated companies			
Dividends	125	122	6
Net gains on sales	1,925	123	-
Result from other securities and receivables accounted for as fixed assets			
Dividends	2	2	2
Net gains on sales	182	-	-
Other interest income and similar profit/loss items			
Subsidiaries	2,253	1,365	892
Other**	1,106	553	658
Total	12,352	9,915	6,052

Financial Expenses			
Losses on sales of participations in subsidiaries	-	109	1
Losses on sales of participations in associated companies	-	-	2
Interest expenses and similar profit/loss items			
Subsidiaries	1,619	887	1,104
Other	1,452	1,197	824
Other financial expenses	19	9	11
Total	3,090	2,202	1,942
Financial Net	9,262	7,713	4,110

* Dividends from Ericsson Cables Holding AB, in 1998 of SEK 1,420 m. has been reported as a net write-down of the investment in the company.

** Of the total amount, SEK -596 m. in 2000, SEK -4 m. in 1999, SEK -150 m. in 1998 is attributable to hedge of net investments in foreign subsidiaries.

Swedish companies' interest expenses on pension liabilities are included in the interest expenses shown above.

4

Income taxes for the year

Consolidated	2000	1999	1998
Income tax current	-9,059	-4,756	-5,214
Income tax deferred	1,061	398	-195
Tax on profit for the year	-7,998	-4,358	-5,409

As explained under Accounting Principles (K), the Company reports deferred taxes attributable to untaxed reserves. The Company also reports deferred taxes attributable to temporary differences between the book values of assets and liabilities and their tax values.

In addition, the Company reports deferred tax assets attributable to unutilized loss carryforwards, if the likelihood that they will be used is deemed to be greater than 50 percent. At December 31, these unutilized loss carryforwards amounted to SEK 1,059 m. The final years in which these loss carryforwards can be utilized are shown in the following table. The Parent Company had no unutilized loss carryforwards.

Year of expiration	Amount
2001	94
2002	21
2003	47
2004	33
2005	240
2006 or later	624
Total	1,059

The Parent Company's deferred taxes for the period amount to SEK 105 m., SEK 491 m. 1999, and SEK -158 m. 1998.

5

Earnings per share

Consolidated	2000	1999	1998
Earnings per share, basic			
Net income	21,018	12,130	13,041
Average number of shares outstanding (millions)	7,869	7,817	7,801
	2.67	1.55	1.67

Earnings per share, fully diluted

Net income	21,018	12,130	13,041
Interest expenses on convertible debentures, net of income taxes	207	185	265
Net income after full conversion	21,225	12,315	13,306
Average number of shares after full conversion and exercise of stock options (millions)	8,004	7,987	7,988
	2.65	1.54	1.67

6

Intangible assets

Consolidated	Licenses, trademarks and similar rights	Patents and purchased research and development	Goodwill	Total
Acquisition costs				
Opening balance	1,423	1,170	11,136	13,729
Acquisitions	105	89	2,309	2,503
Balances regarding acquired and sold companies	-4	-6	-26	-36
Sales/disposals	-175	-34	-27	-236
Translation difference for the year	61	13	908	982
Closing balance	1,410	1,232	14,300	16,942

Accumulated depreciation

Opening balance	-1,159	-405	-1,617	-3,181
Depreciation for the year	-120	-98	-761	-979
Balances regarding acquired and sold companies	3	6	4	13
Sales/disposals	109	27	15	151
Translation difference for the year	-46	-7	-60	-113
Closing balance	-1,213	-477	-2,419	-4,109
Net carrying value	197	755	11,881	12,833

Parent Company	Patents, licenses, trademarks and similar rights
Acquisition costs	
Opening balance	457
Acquisitions	-
Sales/disposals	-346
Closing balance	111
Accumulated depreciation	
Opening balance	-401
Depreciation for the year	-23
Sales/disposals	346
Closing balance	-78
Net carrying value	33

Tangible assets

Consolidated	Land and buildings	Machinery	Other equipment	Construction in process and advance payments	Total
Acquisition costs					
Opening balance	10,073	16,111	25,000	1,628	52,812
Acquisitions	390	3,499	5,525	2,879	12,293
Balances regarding acquired and sold companies	-43	-241	-265	-2	-551
Sales/disposals	-4,762	-2,122	-4,527	-133	-11,544
Reclassifications	332	1,474	1,038	-2,844	0
Translation difference for the year	272	473	905	41	1,691
Closing balance	6,262	19,194	27,676	1,569	54,701
Accumulated depreciation					
Opening balance	-2,429	-9,980	-15,990	-	-28,399
Depreciation for the year	-407	-5,488	-4,061	-	-9,956
Balances regarding acquired and sold companies	16	232	169	-	417
Sales/disposals	1,349	1,879	3,050	-	6,278
Reclassifications	-67	65	2	-	0
Translation difference for the year	-71	-263	-575	-	-909
Closing balance	-1,609	-13,555	-17,405	-	-32,569
Accumulated revaluations, net					
Opening balance	303	-	3	-	306
Depreciation for the year	-1	-	-	-	-1
Sales/disposals	-75	-	-	-	-75
Translation difference for the year	16	-	-	-	16
Closing balance	243	-	3	-	246
Net carrying value	4,896	5,639	10,274	1,569	22,378
Parent Company					
Parent Company	Land and buildings	Machinery	Other equipment	Construction in process and advance payments	Total
Acquisition costs					
Opening balance	366	425	1,306	118	2,215
Acquisitions	22	-	65	4	91
Sales/disposals	-416	-258	-1,246	-66	-1,986
Reclassifications	51	-	5	-56	0
Closing balance	23	167	130	0	320
Accumulated depreciation					
Opening balance	-63	-378	-952	-	-1,393
Depreciation for the year	-5	-3	-26	-	-34
Sales/disposals	68	225	910	-	1,203
Closing balance	0	-156	-68	-	-224
Accumulated revaluations, net					
Opening balance	6	-	-	-	6
Sales/disposals	-6	-	-	-	-6
Closing balance	0	-	-	-	0
Net carrying value	23	11	62	0	96

Financial assets

Equity in associated companies

Consolidated	
Opening balance	2,712
Share in earnings	274
Taxes	-99
Translation difference for the year	33
Dividends	-138
Acquisitions	37
Sales	-29
Closing balance	2,790

Goodwill, net, constitutes SEK 76 m. (125) of the investments.

Dividends received from companies accounted for under the equity method were SEK 131 m. in 1999 and SEK 12 m. in 1998.

Parent Company	Subsidiaries	Associated companies	Other investments
Investments			
Opening balance	24,364	1,039	53
Acquisitions and stock issues	3,125	39	6
Shareholders' contribution	7,874	-	-
Revaluations for the year	-	-	7
Reclassifications	-2	-22	24
Sales	-8	-48	-6
Closing balance	35,353	1,008	84

Other financial assets

Consolidated	Other investments	Long-term customer financing	Other long-term receivables
Acquisition costs			
Opening balance	1,742	9,513	5,100
Acquisitions/credits granted	3,469	4,764	1,377
Sales/repayments	-2,265	-5,962	-2,819
Translation difference for the year	29	111	86
Closing balance	2,975	8,426	3,744

Accumulated revaluations

Opening balance	21	-	-
Revaluations for the year	9	-	-
Closing balance	30	-	-

Accumulated write-downs¹

Opening balance	-12	-2,856	-128
Write-downs for the year	-480	-357	45
Sales/repayments	-11	1,210	-2
Translation difference for the year	-18	-59	-2
Closing balance	-521	-2,062	-87

Net carrying value	2,484 ³	6,364	3,657 ²
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¹ Write-downs are included in Selling expenses due to the close relation to operations.

² Of which deferred tax assets SEK 1,034 m. (SEK 964 m. 1999).

³ Market value per December 31, 2000 for listed shares was SEK 7,630 m.

Parent Company	Long-term customer financing	Other long-term receivables
Acquisition costs		
Opening balance	8,072	2,129
Acquisitions/credits granted	4,623	211
Sales/repayments	-5,240	-
Translation/revaluation difference for the year	-	-970
Closing balance	7,455	1,370
Accumulated write-downs		
Opening balance	-1,752	-
Sales/repayments	967	-
Write-downs for the year	-350	-
Closing balance	-1,135	-
Net carrying value	6,320	1,370

Investments

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

filed with the Swedish Patent and Registration Office, may be obtained upon request to: Telefonaktiebolaget LM Ericsson, Corporate Financial Reporting and Analysis, SE-126 25 Stockholm, Sweden.

Shares directly owned by the parent company

Type	Company	Reg. No.	Domicile	Percentage of ownership	Par value	Carrying value
Subsidiaries						
I	Ericsson Utvecklings AB	556137-8646	Sweden	100	10	17
I	Ericsson Enterprise AB	556090-3212	Sweden	100	360	335
I	Ericsson Microwave Systems AB	556028-1627	Sweden	100	30	151
I	Ericsson Radio Systems AB	556056-6258	Sweden	100	50	636
I	Ericsson Telecom AB	556251-3258	Sweden	100	100	2,520
I	Ericsson Gämsta AB	556381-7609	Sweden	100	162	1,024
I	Ericsson Mobile Communications AB	556251-3266	Sweden	100	361	5,516
I	Ericsson Radio Access AB	556250-2046	Sweden	100	20	41
I	Ericsson Sverige AB	556329-5657	Sweden	100	100	100
I	Ericsson Business Consulting AB	556250-9454	Sweden	100	85	252
I	Ericsson Software Technology AB	556212-7398	Sweden	100	1	67
I	Ericsson Microelectronics AB	556549-1098	Sweden	100	60	60
I	EHPT Sweden AB	556577-9799	Sweden	81	–	881
II	SRA Communication AB	556018-0191	Sweden	100	47	145
II	AB Aulis	556030-9899	Sweden	100	14	6
II	Ericsson Cables Holding AB	556044-9489	Sweden	100	455	969
II	LM Ericsson Holding AB	556381-7666	Sweden	100	105	1,122
III	Ericsson Treasury Services AB	556329-5673	Sweden	100	1	2
III	Ericsson Credit AB	556326-0552	Sweden	100	5	5
	Other		Sweden	–	–	708
I	Ericsson Austria AG		Austria	100	60	662
I	LM Ericsson A/S		Denmark	100	90	216
I	Oy LM Ericsson Ab		Finland	100	80	195
II	Ericsson France S.A.		France	100	144	485
I	Ericsson GmbH		Germany	100	39	341
I	Ericsson Communications Systems Hungary Ltd.		Hungary	100	800	120
III	Ericsson Treasury Ireland Ltd.		Ireland	100	81	3,924
III	Ericsson Financial Services Ireland		Ireland	100	143	1,403
II	Ericsson S.p.A.		Italy	72	18,421	105
I	Ericsson A/S		Norway	100	156	194
I	Ericsson Corporatio AO		Russia	100	950	4
I	Ericsson AG		Switzerland	100	–	–
II	Ericsson Holding Ltd.		United Kingdom	100	74	757
	Other	Europe (excluding Sweden)		–	–	79
II	Ericsson Holding II Inc.		United States	88 ¹	–	10,591
I	Cía Ericsson S.A.C.I.		Argentina	100	5	10
I	Teleindustria Ericsson S.A.		Mexico	100	n/a	572
	Other	United States, Latin America		–	–	135
II	Teleric Pty Ltd.		Australia	100	20	99
I	Beijing Ericsson Mobile Communication Co. Ltd.		China	25 ²	5	36
I	Ericsson Ltd.		China	100	2	2
I	Ericsson (China) Company Ltd.		China	100	50	369
I	Nanjing Ericsson Communication Co. Ltd.		China	51	11	76
I	Ericsson Communication Private Ltd.		India	100	525	105
I	Ericsson Telecommunications Sdn. Bhd.		Malaysia	70	2	4
I	Ericsson Telecommunications Pte. Ltd.		Singapore	100	–	1
I	Ericsson Taiwan Ltd.		Taiwan	80	240	19
I	Ericsson (Thailand) Ltd.		Thailand	49 ³	15	4
	Other	Other countries		–	–	288
				Total	–	35,353
Associated companies						
III	AB LM Ericsson Finans	556008-8550	Sweden	90 ⁴	29	41
III	Ericsson Project Finance AB	556058-5936	Sweden	91 ⁵	425	510
I	Ericsson Nikola Tesla		Croatia	49	196	330
	Other			–	–	127
				Total	–	1,008

Investments continued

Shares owned by subsidiaries

Type	Company	Reg. No.	Domicile	Percentage of ownership
Subsidiaries				
I	Ericsson Cables AB	556000-0365	Sweden	100
I	Ericsson S.A.		France	100
I	MET S.A.		France	100
I	LM Ericsson Ltd.		Ireland	100
I	Ericsson Telecomunicazioni S.p.A.		Italy	72
II	Ericsson Holding International B.V.		The Netherlands	100
II	Ericsson Holding Netherland B.V.		The Netherlands	100
I	Ericsson Telecommunicatie B.V.		The Netherlands	100
I	Ericsson España S.A.		Spain	100
I	Ericsson Ltd.		United Kingdom	100
I	Ericsson Mobile Communications (U.K.) Ltd.		United Kingdom	100
I	Ericsson Communications Inc.		Canada	100
I	Advanced Computer Communications Inc.		USA	100
I	Ericsson Inc.		USA	100
I	Ericsson NetQual Inc.		USA	100
I	Ericsson WebCom Inc.		USA	100
I	Ericsson Wireless Communication Inc.		USA	100
I	Ericsson IP Infrastructure Inc.		USA	100
I	Ericsson Amplifier Technologies Inc.		USA	100
I	Ericsson Telekomunikasyon A.S.		Turkey	100
I	Ericsson Telecomunicações S.A.		Brazil	98
I	Ericsson Servicos de Telecomunicações Ltda		Brazil	98
I	Ericsson Telecom S.A. de C.V.		Mexico	100
I	Nippon Ericsson K.K.		Japan	90
I	Ericsson Mobile Communications Sdn Bhd Malaysia		Malaysia	100
I	Ericsson Consumer Products Asia Pacific Pte Ltd.		Singapore	100
I	Ericsson Australia Pty. Ltd.		Australia	100
Associated Companies				
I	Symbian Ltd.		United Kingdom	21

Key to type of company

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

- ¹ Through subsidiary holdings, total holdings amount to 100% of Ericsson Holding II Inc.
² Through subsidiary holdings, total holdings amount to 49% of Beijing Ericsson Mobile Communications Co. Ltd., but the voting power is in excess of 50%.
³ Through subsidiary holdings, total holdings amount to 100% of Ericsson (Thailand) Ltd.
⁴ Voting power is 40%.
⁵ Voting power is 49%.

The subsidiary, Ericsson S.p.A., is listed on the Milan stock exchange in Italy.

Ericsson's share of the market value as per December 31, 2000, was SEK 8,278 m.

10

Inventories

	Consolidated		Parent Company	
	2000	1999	2000	1999
Raw material, components and consumables	19,907	13,324	1	105
Manufacturing work in process	3,723	1,823	–	–
Finished products and goods for resale	4,499	1,972	2	104
Contract work in process	17,771	13,398	9	774
Less advances from customers	–1,967	–4,816	–9	–31
Inventories, net	43,933	25,701	3	952

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Accounts receivable — trade

	Consolidated		Parent Company	
	2000	1999	2000	1999
Notes and accounts receivable	74,591	63,380	-	2,292
Receivables from associated companies	382	204	102	110
Total	74,973	63,584	102	2,402

Allowances for doubtful accounts amounting to SEK 2,014 m. (2,550) and SEK 275 m. (479) in the Parent Company, which has reduced the amounts shown above, include amounts for estimated losses based on commercial risk evaluations.

12

Receivables and payables — subsidiaries

	2000	1999
Parent Company		
Long-Term Receivables*		
Financial receivables	22,682	17,925
Current Receivables		
Commercial receivables	1,548	2,989
Financial receivables	34,209	19,347
Total	35,757	22,336
Long-Term Liabilities*		
Financial liabilities	13,345	3,454
Current Liabilities		
Commercial liabilities	648	2,296
Financial liabilities	44,712	23,305
Total	45,360	25,601

* Including non-interest bearing receivables and liabilities, net, amounting to SEK 6,224 m. (11,772). Interest-free transactions involving current receivables and liabilities may also arise at times.

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Other receivables

	Consolidated		Parent Company	
	2000	1999	2000	1999
Receivables in associated companies	3,083	2,358	2,163	1,828
Prepaid expenses	4,790	3,231	404	283
Accrued revenues	5,124	3,083	437	651
Advance payments to suppliers	1,440	887	-	15
Deferred tax assets	6,533	3,413	-	-
Other	23,059	18,255	6,644	6,407
Total	44,029	31,227	9,648	9,184

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Stockholders' equity

Capital stock

Capital stock at December 31, 2000, consisted of the following:

	Number of shares outstanding	Aggregate par value
A shares (par value SEK 1.00)	656,218,640	656
B shares (par value SEK 1.00)	7,254,116,972	7,254
	7,910,335,612	7,910

The capital stock of the Company is divided into two classes: Class A shares (par value SEK 1.00) and Class B shares (par value SEK 1.00). Both classes have the same rights of participation in the net assets and earnings of the Company. Class A shares, however, are entitled to one vote per share while Class B shares are entitled to one thousandth of one vote per share.

During the year 1,804,000 of the above stated Ericsson B shares have been repurchased by the Parent Company.

Reserves not available for distribution

In accordance with statutory requirements in Sweden and certain other countries in which the Company is operating, restricted reserves, not available for distribution, are reported.

According to the Swedish Annual Accounts Act, tangible and financial assets may be revalued, provided they have a reliable and lasting value significantly greater than book value. Revaluation amounts must either be used for stock issue/stock split or be appropriated to a revaluation reserve. When assets are sold or discarded, the revaluation reserve shall be reduced correspondingly.

Cumulative translation adjustments

Opening balance	-2,115
Changes in cumulative translation adjustments	1,975
Closing balance	-140

Changes in cumulative translation adjustments include changes regarding recalculation of goodwill in local currency, SEK 779 m. (SEK 393 m), net gain/loss (-) from hedging of investments in foreign subsidiaries, SEK -360 m. (SEK 38 m.) and SEK 9 m. (SEK 1 m.) from sold/liquidated companies.

Currency gains/losses resulting from translation of financial statements of integrated companies are included in the following items in the consolidated income statement:

	2000	1999
Cost of sales	165	65
Financial income	-41	-11
Taxes	1	-3
Total	125	51

Stockholders' equity continued

Changes in stockholders' equity

Consolidated	Capital stock	Equity proportion reserve	Other restricted reserves	Total restricted equity	Non-restricted equity	Total
Opening balance	4,893	1,289	31,329	37,511	31,665	69,176
Repurchase of own stock	–	–	–	–	–386	–386
Stock dividend	2,941	–	–2,941	–	–	0
Conversion of debentures	76	–	1,839	1,915	–	1,915
Capital discount	–	–	–105	–105	–	–105
Proceeds from unclaimed stock dividend shares	–	–	1	1	–	1
Dividends paid	–	–	–	–	–3,919	–3,919
Gains on sale of own options and convertible debentures	–	–	–	–	2,018	2,018
Revaluation of fixed assets	–	–	–7	–7	–	–7
Transfer between non-restricted and restricted reserves	–	113	–893	–780	780	0
Changes in cumulative translation adjustments	–	–	1,975	1,975	–	1,975
Net income 2000	–	–	–	–	21,018	21,018
Closing balance	7,910	1,402	31,198	40,510	51,176	91,686

Of retained earnings, SEK 86 m. will be appropriated to reserves not available for distribution, in accordance with the proposals of the respective companies' boards of directors. In evaluating the consolidated financial position, it should be noted that earnings in foreign companies may be subject to taxation when transferred to Sweden and that, in

some instances, such transfers of earnings may be limited by currency restrictions.

Consolidated unrestricted retained earnings are translated at the year-end exchange rate. Cumulative translation adjustments have been distributed among unrestricted and restricted stockholders' equity.

Parent Company	Capital stock	Share premium reserve ¹	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Other retained earnings	Non-restricted equity	Total
Opening balance	4,893	1,941	20	9,681	16,535	100	16,200	16,300	32,835
Repurchase of own stock	–	–	–	–	–	–	–386	–386	–386
Stock dividend	2,941	–	–	–2,941	–	–	–	–	0
Conversion of debentures	76	1,839	–	–	1,915	–	–	–	1,915
Capital discount	–	–95	–	–	–95	–	–	–	–95
Proceeds from unclaimed stock dividend shares	–	–	–	1	1	–	–	–	1
Dividends paid	–	–	–	–	–	–	–3,919	–3,919	–3,919
Net income 2000	–	–	–	–	–	–	9,133	9,133	9,133
Closing balance	7,910	3,685	20	6,741	18,356	100	21,028	21,128	39,484

¹ 1996 and prior years' share premium is included in Statutory reserve.

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Untaxed reserves

Parent Company	Jan. 1	Appropriations/ withdrawals(-)	Dec. 31
Accumulated depreciation in excess of plan			
Intangible assets	11	–	11
Tangible assets	112	–74	38
Total accumulated depreciation in excess of plan	123	–74	49
Other Untaxed Reserves			
Tax equalization reserve	127	–127	0
Reserve for doubtful receivables	3,409	–389	3,020
Income deferral reserve	1,747	446	2,193
Total other untaxed reserves	5,283	–70	5,213
Total Untaxed Reserves	5,406	–144	5,262

Changes in other untaxed reserves in the Parent Company in 1999 consisted of the following: withdrawal of tax equalization reserve, SEK 127 m. (127);

appropriations to reserve for doubtful receivables, SEK 2,289 m. (53) and allocation to income deferral reserve SEK 529 m. (354).

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Provisions

	Consolidated		Parent Company	
	2000	1999	2000	1999
Pensions and similar commitments	9,318	8,398	943	3,037
Deferred taxes	3,080	1,220	-	-
Warranty commitments	4,432	3,607	-	-
Other provisions	10,820	9,327	1,890	2,476
Total	27,650	22,552	2,833	5,513

The pension liabilities include the Parent Company's and other Swedish companies' obligations in the amount of SEK 7,344 m. (6,483) in accordance with an agreement with the Pension Registration Institute (PRI), which is covered by a Swedish law on safeguarding of pension commitments. The Parent Company's pension liabilities include an obligation in the amount of SEK 634 m. (2,788) in accordance with its agreement with PRI.

Other provisions include amounts for risks regarding off-balance sheet customer financing, patent disputes, restructuring and changes in technique and markets.

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Long-term liabilities

	Consolidated		Parent Company	
	2000	1999	2000	1999
Notes and bond loans (maturing 2001 – 2009)	15,884	17,486	15,884	17,486
Convertible debentures (maturing 2003)	4,346	5,453	4,346	5,453
Liabilities to financial institutions	1,320	1,448	322	370
Liabilities to subsidiaries	-	-	13,345	3,454
Other	744	567	37	53
Total	22,294	24,954	33,934	26,816

Consolidated long-term liabilities maturing five years or more after the balance sheet date:

Notes and bond loans and liabilities to financial institutions	5,108
Other	382
Total	5,490

The Parent Company has one convertible debenture loan outstanding. The loan, in the amount of SEK 6,000 m., was issued in 1997. Of the total amount, convertible debentures amounting to SEK 4,859 m. were sold to Ericsson employees, and SEK 1,141 m. were sold to the wholly owned subsidiary AB Aulis. During the year the convertible debentures were sold externally, and up until October 15, 2000, debentures were offered at market price to new employees. The debentures which carry an interest defined as 12 months STIBOR¹ less 1.5 percent, are convertible to B shares from November 19, 1999, up to and including May 30, 2003. After the stock dividend and split in 2000, the conversion price is SEK 59 per share.

In the 1997 consolidated accounts, a capital discount amounting to SEK 816 m. was calculated, based on a market interest rate of 6.87 percent. The capital discount was credited to the Statutory reserve as an addition to capital in the consolidated financial statements as well as in the Parent Company (Share premium reserve) in accordance with the Swedish Financial Accounting Standards Council's recommendation RR03. The capital discount is charged to income as interest expense during the period of the loan.

During 2000, debentures in the amount of SEK 1,391 m. were converted to 20,466,176 B shares. A conversion of all outstanding debentures would increase the number of shares with 76,622,912. During the period of January 1 through January 22, 2001, additional debentures, carrying rights to dividends for 2000, were converted to 47,092 B shares. During the year a convertible debenture loan, issued in 1993, fell due for payment. In 2000 debentures of SEK 525 m. were converted to 49,414,094 B shares. A total of SEK 5 m was repaid on the due date.

¹ Stockholm Inter Bank Offered Rate

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Current liabilities to financial institutions and unused lines of credit

Liabilities to financial institutions consist of bank overdrafts, bank loans and other short-term financial loans. Unused portions of short-term lines of credit for the Company amounted to SEK 7,470 m. and for the Parent Company SEK 705 m. In addition, the Parent Company had unused long-term lines of credit amounting to SEK 9,499 m. The Company has also unused commercial paper and medium term note programs amounting to SEK 16,517 m.

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Other current liabilities

	Consolidated		Parent Company	
	2000	1999	2000	1999
Liabilities to associated companies	277	823	257	738
Accrued expenses	33,854	27,233	716	1,691
Prepaid revenues	842	966	-	29
Other	13,387	12,280	2,806	3,409
Total	48,360	41,302	3,779	5,867

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Assets pledged as collateral

Consolidated	Liabilities to financial institutions	Advances from customers	Total	Total
			2000	1999
Real estate mortgages	-	24	24	36
Bank deposits	313	-	313	1,824
Other	98	-	98	208
Total	411	24	435	2,068

Parent Company	Liabilities to financial institutions	Advances from customers	Total	Total
			2000	1999
Bank deposits	298	-	298	1,824
Other	24	-	24	21
Total	322	-	322	1,845

At December 31, 2000, the Parent Company had no pledged assets in favor of subsidiaries. However, under certain conditions, it may pledge collateral for certain subsidiaries' pension obligations.

Contingent liabilities

	Consolidated		Parent Company	
	2000	1999	2000	1999
Guarantees				
for customer financing	7,551	7,497	5,802	6,756
for accounts receivable	1,607	1,104	–	1,000
Other contingent liabilities	2,026	1,526	7,604	3,855
Total	11,184	10,127	13,406	11,611

Of the guarantees assumed by the Parent Company, SEK 6,608 m. in 2000, and SEK 4,582 m. in 1999, are related to subsidiaries.

Statement of Cash Flows

Consolidated

Interest paid in 2000 was SEK 3,416 m. (2,560) and interest received was SEK 2,959 m. (1,516). Income taxes paid were SEK 5,780 m. (5,563).

Non-cash transaction under "Cash flow from operating activities" not reported separately is current year increase in pension liabilities of SEK 920 m. (SEK 342 m. in 1999 and SEK 855 m. in 1998).

Non-cash items in "Financing activities"

In 2000, conversions of debentures were made for SEK 76 m. (1999 SEK 15 m., 1998 SEK 4 m.).

Acquisitions/sales of other investments

Consolidated	
Cash	–35
Goodwill	–2,310
Intangible assets	–2
Other net assets	83
Purchase price for acquired subsidiaries	–2,264
Cash in acquired subsidiaries	35
Other acquisitions	–969
Sales	25,841
Acquisitions/sales, net	22,643

Parent Company

Interest paid in 2000 was SEK 1,178 m. (693) and interest received was SEK 1,854 m. (302). Income taxes paid were SEK 356 m. (354).

Specification of net change in cash attributable to cancellation of the commission agreement with Ericsson Telecom AB as of January 1, 2000 is shown below. The change in cash, amounting to SEK -12 m., is shown as Acquisitions/sales of other investments, net.

Parent Company	
Inventories	947
Customer financing, accounts receivable – trade and other operating assets	5,291
Provisions and other operating liabilities	–5,192
Sales of tangible assets	391
Lending, net	–10,897
Proceeds from issuance of other long-term debt	9,456
Investments, other	–8
Net change in cash	–12

Leasing

Leasing obligations

Assets under Financial leases, recorded as tangible assets, consist of:

Financial leases	2000	1999
Acquisition costs		
Land and buildings	193	291
Machinery	26	26
Other equipment	410	215
	629	532

Accumulated depreciation

Land and buildings	58	141
Machinery	26	26
Other equipment	184	71
	268	238

Net carrying value	361	294
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At December 31, 2000, future payment obligations for leases were distributed as follows:

	Financial leases	Operating leases
2001	131	3,003
2002	75	2,659
2003	36	2,357
2004	17	1,985
2005	17	2,125
2006 and later	107	6,366
	383	18,495

During the year, sale-leaseback transactions concerning real estate have been made. The lease agreements have been classified as operating leases, as the terms have been established at fair value and for limited amounts.

Expenses for the year for leasing of assets were SEK 2,984 m. (SEK 1,647 m. in 1999 and SEK 1,770 m. in 1998), of which variable cost SEK 208 m.

Leasing income

Some consolidated companies lease equipment, mainly telephone exchanges, to customers. These leasing contracts vary in length from 1 to 14 years.

The acquisition value of assets leased to others under Operating leases amounted to SEK 505 m. at December 31, 2000 (December 31, 1999: SEK 523 m.). Accumulated depreciation amounted to SEK 418 m. and net investments to SEK 87 m. at December 31, 2000 (December 31, 1999: SEK 422 m. and SEK 101 m., respectively).

Net investment in Sales-type leases and Financial leases amounted to SEK 14 m. at December 31, 2000 (December 31, 1999: SEK 17 m.).

Future payments receivable for leased equipment are distributed as follows:

	Sales-type and Operating Financial leases	leases
2001	14	24
2002	2	14
2003	1	5
2004	–	3
2005 and later	–	2
	17	48
Less: interest	–3	–
Net investment	14	48

Reconciliation to accounting principles generally accepted in the U.S.

Elements of the Company's accounting principles which differ significantly from generally accepted accounting principles in the United States (U.S. GAAP) are described below:

A Revaluation of assets

Certain tangible assets have been revalued at amounts in excess of cost. Under certain conditions, this procedure is allowed in accordance with Swedish accounting practice. Revaluation of assets in the primary financial statements is not permitted under U.S. GAAP. Depreciation charges relating to such items have been reversed to income.

B Capitalization of software development costs

In accordance with Swedish accounting principles, software development costs are charged against income when incurred. The Company practices U.S. GAAP FAS No. 86 "Accounting for the Cost of Computer Software to be Sold, Leased or Otherwise Marketed" and effective 1999, it has adopted SOP 98-1, "Accounting for the costs of Computer Software Developed or Obtained for Internal use". According to these statements, development costs are capitalized after the product involved has reached a certain degree of technological feasibility. Capitalization ceases and amortization begins when the product is ready for its intended use. The company has adopted an amortization period for capitalized software to be sold of three years and for capitalized software for internal use of three to five years.

Development costs for software to be sold	2000	1999	1998
Capitalization	10,349	7,898	7,170
Amortization	-6,664	-4,460	-3,824
Write-downs	-	-989	-
	3,685	2,449	3,346

Write-downs of previously capitalized software costs amounting to SEK 989 m. was made in 1999 since one project was reclassified to non-commercial.

Development costs for software for internal use	2000	1999	1998
Capitalization	990	1,463	-
Amortization	-542	-152	-
	448	1,311	-

C Capital discount on convertible debentures

In accordance with Swedish accounting principles, the 1997/2003 convertible debenture loan and its nominal interest payments are valued at present value, based on market interest rate. The difference from the nominal amount, the capital discount, is credited directly to equity. (Please refer to Note 17 for details.) In accordance with U.S. GAAP, convertible debenture loans are reported as liabilities at nominal value. When calculating income and equity in accordance with U.S. GAAP, the effects of the capital discount are reversed.

D Restructuring costs

The rules for providing for payroll related expenses are stricter according to U.S. GAAP. For termination benefits, U.S. GAAP requires for a liability to be recognized that prior to the date of the final financial statements, the benefit arrangements be communicated to employees. There is no such requirement under Swedish GAAP.

E Pensions

The Company participates in several pension plans, which in principle cover all employees of its Swedish operations as well as certain employees in foreign subsidiaries. The Swedish plans are administered by an institution jointly established for Swedish industry (PRI) in which most companies in Sweden participate. The level of benefits and actuarial assumptions are established by this institution and, accordingly, the Company may not change these.

Effective 1989, the Company has adopted FAS No. 87, Employer's Accounting for Pensions, when calculating income according to U.S. GAAP. The effects for the Company of using this recommendation principally relate to the actuarial assumptions, and that the calculation of the obligation should reflect future compensation levels. The difference relative to pension liabilities already booked at the introduction in 1989 is distributed over the estimated remaining service period.

F Pension premium refund

SPP, a Swedish insurance company, has announced a refund of pension premiums paid, of which a portion has been refunded during the year. In accordance with Swedish accounting practice, the total refund is credited to income. In accordance with U.S. GAAP, only the amount SPP actually paid is credited to income.

G Sale-leaseback of property

During the year, the Company sold property which was leased back to subsidiaries. In Sweden, the gain on sale of property is credited to income, if the rent to be paid is in par with market price. In accordance with U.S. GAAP, the part of the gain exceeding present value of future lease payments is credited to income when occurred. The remaining part is distributed during the lease period.

H Other**Hedge accounting**

The Company has forward currency exchange contracts and options as hedges of firm commitments as well as budgeted cash flows regarding sales and purchases. According to Swedish accounting practice, both kinds are considered hedges and are not valued at market. According to U.S. GAAP, contracts and options not related to firm commitments are valued at market.

In-process research and development

Under U.S. GAAP, acquired technology, including in-process research and development is to be charged to expenses if this technology has not reached technological feasibility and has no alternative use. Under Swedish GAAP, acquired technology is amortized to income over its expected economic life.

Tax on undistributed earnings in associated companies

In accordance with Swedish accounting practice, no accrual is made for withholding taxes on undistributed profits of companies which are consolidated applying the equity accounting method. Under U.S. GAAP, the company holding shares should accrue for withholding taxes on possible repatriation of profits.

Capitalization of interest expenses

In accordance with Swedish accounting practice, the Company has expensed interest costs incurred in connection with the financing of expenditures for construction of tangible assets. Such costs are to be capitalized in accordance with U.S. GAAP, and depreciated as the assets concerned. Capitalization amounting to SEK 88 (81) m. has increased income and amortization amounting to SEK 79 (151) m. was charged against income for the period when calculating income in accordance with U.S. GAAP.

Reconciliation to accounting principles generally accepted in the U.S. continued

I Deferred Income Taxes

Deferred tax is calculated on all U.S. GAAP adjustments to income.

J Adjustment of Net Income

Application of U.S. GAAP as described above would have had the following approximate effects on consolidated net income. It should be noted that, in arriving at the individual items increasing or decreasing reported net income, consideration has been given to the effect of minority interests.

Adjustment of Net Income	2000	1999	1998
Items increasing reported net income			
Depreciation on revaluation of assets	1	28	33
Capitalization of software development costs			
to be sold	3,685	2,449	3,346
for internal use	448	1,311	-
Capital discount on convertible debentures	147	116	120
Restructuring costs	2,700	400	-
	<u>6,981</u>	<u>4,304</u>	<u>3,499</u>
Items decreasing reported income			
Pensions	146	416	-211
Pension premium refund	856	-	-
Sale-leaseback	1,361	-	-
Other	238	-472	258
Deferred income taxes	2,005	1,251	954
	<u>4,606</u>	<u>1,195</u>	<u>1,001</u>
Net increase in net income	2,375	3,109	2,498
Net income as reported in the consolidated Income Statement	21,018	12,130	13,041
Approximate net income per U.S. GAAP	<u>23,393</u>	<u>15,239</u>	<u>15,539</u>
Reported earnings per share, fully diluted	2.65	1.54	1.67
Approximate earnings per share per U.S. GAAP, fully diluted	2.94	1.92	1.97

K Unrealized gains and losses on securities available-for-sale

In accordance with Swedish accounting principles investments are valued at lower of cost and market. Under U.S. GAAP securities available for sale that have readily determinable fair values shall be measured at fair value in accordance with FAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities". Unrealized gains and losses shall be included in other comprehensive income.

L Comprehensive income

The Company has adopted FAS No 130, "Reporting Comprehensive Income". Comprehensive income includes net income and other changes in equity, except those resulting from transactions with owners.

Comprehensive income	2000	1999	1998
Approximate net income in accordance with U.S. GAAP	23,393	15,239	15,539
Other comprehensive income			
Translation adjustments	2,326	-2,442	732
Translation adjustments for sold/liquidated companies	9	1	94
Hedging for investments	-500	53	-107
Unrealized gains and losses on securities available-for-sale	-1,847	8,527	-
Minimum pension liability	25	-47	-
Deferred income taxes	657	-2,403	30
Total other comprehensive income	<u>670</u>	<u>3,689</u>	<u>749</u>
Approximate comprehensive income in accordance with U.S. GAAP	<u>24,063</u>	<u>18,928</u>	<u>16,288</u>
Adjustment of Equity			
Increases			
Capitalization of software development costs			
to be sold	16,878	13,193	10,744
for internal use	1,759	1,311	-
Unrealized gains and losses on available-for-sale securities	6,680	8,527	-
Pensions	300	422	885
Capitalization of interest, net after cumulative depreciation	211	202	273
Restructuring costs	3,100	400	-
	<u>28,928</u>	<u>24,055</u>	<u>11,902</u>
Reductions			
Revaluation of assets	114	372	434
Capital discount on convertible debentures	419	566	682
Pension refund	856	-	-
Sale-leaseback	1,361	-	-
Deferred income taxes	8,197	6,731	3,092
Other	450	-54	488
	<u>11,397</u>	<u>7,615</u>	<u>4,696</u>
Adjustment of stockholders' equity, net	17,531	16,440	7,206
Reported stockholders' equity	91,686	69,176	63,112
Approximate equity according to U.S. GAAP	<u>109,217</u>	<u>85,616</u>	<u>70,318</u>

**Reconciliation to accounting principles
generally accepted in the U.S. continued****Adjustment of certain balance sheet items
according to U.S. GAAP**

SEK m.	As per reported Balance Sheet		As per U.S. GAAP	
	Dec 31 2000	Dec 31 1999	Dec 31 2000	Dec 31 1999
Intangible assets	12,833	10,548	31,343	24,828
Tangible assets	22,378	24,719	22,475	24,544
Other investments	2,484	1,751	9,164	10,278
Accounts receivable	74,973	63,584	76,580	63,584
Other receivables	44,029	31,227	44,866	33,133
Minority interest in equity	2,764	2,182	2,756	2,177
Provisions	27,650	22,552	18,060	30,489
Convertible debentures	4,346	5,453	4,765	6,019
Other current liabilities	48,360	41,302	48,560	40,902

Provisions include the tax effect of undistributed earnings in associated companies.

M Statement of Cash Flows

The Company in principle follows FAS No. 95 when preparing the Statement of Cash Flows. According to FAS No. 95, however, only cash, bank and short-term investments with due dates within 3 months shall be considered cash and cash equivalents, rather than within 12 months. Applying this definition would mean following adjustments of reported cash:

Consolidated, SEK m.	2000	1999	1998	1997
Short-term cash investments, cash and bank, as reported	35,606	29,008	18,233	29,127
Adjustment for items with maturity of 4-12 months	-16,129	-9,731	-5,978	-15,004
Cash and cash equivalents as per U.S. GAAP	19,477	19,277	12,255	14,123

N Stock compensation plan

The Company, as permitted under FAS 123 "Accounting for Stock Based Compensation", applies Accounting Principles Board Opinion 25 ("APB 25") and related interpretations in accounting for its plans under U.S. GAAP. No compensation expense has been reflected in the consolidated Income Statement because no compensation expense arises when the strike price of the employee's stock options equals the market value of the underlying stock at grant date, as in the case of options granted to the employees.

If the Company had chosen to adopt the optional recognition provisions of FAS 123 for its stock option plans, net income and earnings per share in accordance with U.S. GAAP, would have been changed to the pro forma amounts indicated below:

	2000	1999	1998
Net income			
Approximate net income per U.S. GAAP	23,393	15,239	15,539
Approximate net income, proforma, per U.S. GAAP	21,882	15,239	15,539
Earnings per share, fully diluted			
Approximate earnings per share, per U.S. GAAP	2.94	1.92	1.97
Approximate earnings per share, proforma, per U.S. GAAP	2.75	1.92	1.97

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2000	1999	1998
Expected dividend yield	1.0%	-	-
Expected volatility	35.4%	-	-
Risk-free interest rate	6.0%	-	-
Expected life of option (in years)	3.1	-	-

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Tax assessment values (Sweden)

	Consolidated		Parent Company	
	2000	1999	2000	1999
Land and land improvements	50	385	28	41
Buildings	216	2,656	7	162

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Special information regarding the Parent Company

Sales of the Parent Company were SEK 1,195 m. (SEK 15,375 m.), of which exports accounted for 100 (85) percent. Consolidated companies were customers for 0 (67) percent of the Parent Company's sales, while 40 (65) percent of the Company's total purchases of goods and services were from such companies.

Loans totaling SEK 0.6 m. have been made to a total of 60 employees for the purchase of shares in LM Ericsson's Share Savings Fund.

The Parent Company has guaranteed up to an amount of SEK 0.4 m. for loans obtained by employees for the purchase of housing.

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**Average number of employees and
remuneration in 2000 and 1999****Average number of employees**

Consolidated	2000		1999		2000		1999	
	Men	Women	Men	Women	Men	Women	Men	Women
Western Europe*	45,229	17,993	63,222	48,597	19,134	67,731		
Central and Eastern Europe, Middle East & Africa	3,419	1,182	4,601	3,119	1,062	4,181		
North America	8,903	4,532	13,435	8,189	3,985	12,174		
Latin America	5,568	2,238	7,806	6,571	2,054	8,625		
Asia Pacific	8,497	3,992	12,489	7,826	4,429	12,255		
Total	71,616	29,937	101,553	74,302	30,664	104,966		
*Of which Sweden	26,726	11,153	37,879	30,254	12,939	43,193		
*Of which EU	44,164	17,685	61,849	47,368	18,868	66,236		

Parent company	2000		1999		Total	
	Men	Women	Men	Women		
Western Europe*	319	366	685	2,664	1,268	3,932
Central and Eastern Europe, Middle East & Africa	653	69	722	568	77	645
Latin America	5	2	7	5	1	6
Total	977	437	1,414	3,237	1,346	4,583
*Of which Sweden	319	366	685	2,670	1,269	3,939
*Of which EU	319	366	685	2,670	1,269	3,939

Wages and salaries and social security expenses

	Consolidated		Parent Company	
	2000	1999	2000	1999
Wages and salaries	38,970	37,068	631	1,997
Social security expenses	13,161	11,305	384	1,131
Of which pension costs	2,062	2,151	289	522

Wages and salaries per geographical area

	Consolidated		Parent Company	
	2000	1999	2000	1999
Western Europe*	25,393	25,159	425	855
Central and Eastern Europe, Middle East & Africa	1,062	839	204	141
North America	6,322	6,360	-	-
Latin America	2,502	1,816	2	1
Asia Pacific	3,692	2,894	-	-
Total	38,970	37,068	631	1,997
*Of which Sweden	14,576	14,308	425	1,855
*Of which EU	24,665	24,415	425	1,855
Board of Directors, President and Corporate Executive Vice Presidents (of which bonus and similar)			83	60
			(8)	(6)

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

Stock option plans

Option plans have been implemented as a complementary remuneration to key employees:

Plan	Type	Exercisable	Employees affected
1998	2,5 million (post split) 7-year call options issued by third party	1999	500
1999	1,4 million (post split) 7-year call options issued by Ericsson	In 3 lots (30/40/30%) 3-5 years respectively after grant to year 7	1,800
2000	50,4 million (post split) call options issued by Ericsson	7-year In 3 lots, 1/3 per year 1-3 years respectively after grant to year 7	8,000

The options for the 1998 plan were granted in 1999. Grants for the 1999 plan took place on March 1, 2000 and grants for the 2000-plan were made on January 17, 2000. In addition to options issued to employees 6,7million stock options have been issued for hedging of social security costs. The dilutive effect on earnings per share of this year's employee stock option programs was around 0,2 percent.

Benefits to members of the Board, and the Company Management

During the year, Lars Ramqvist in his capacity as Chairman of the Board of Directors received a fee of sek 2,500,000 plus sek 100,000 for his work as member of the Finance Committee. These fees were determined by the Board of Directors within the total amount of Board fees approved by the Annual General Meeting.

Members and deputy members of the Board who are Ericsson employees received no remuneration or benefits other than their entitlements as employees. However, a fee of sek 900 per meeting was paid to the employee representatives of the Board.

The value of the benefits paid to Lars Ramqvist in his capacity as Chief Executive Officer amounts to sek 12,000,000, which amount, together with the benefits earned by him and provided for during 1999, was paid during year 2000.

The salary paid to Kurt Hellström in his capacity as President amounts to sek 7,561,240 and the value of benefits, including compensation for tax, provided to him, amounts to sek 9,040,119. Provision has also been made for a bonus to Kurt Hellström of sek 222,386 earned 2000.

Sven Christer Nilsson, the former President, is also entitled to agreed severance pay from July 7, 1999 up to July 8, 2001, in the aggregate amounting to sek 10,664,303. During 2000, severance pay amounting to sek 7,007,148 was paid.

The following rules regarding severance pay and pension apply to the President, Executive Vice Presidents and Senior Vice Presidents.

Severance payments are not made if an employee resigns voluntarily. The same applies if employment is terminated as a result of flagrant disregard of responsibilities. Notice given by the employee, when such significant structural changes or other events occur that, in a determining manner, affect the content of work or the condition for respective positions, is equated with notice of termination served by the company. Upon termination of employment, severance pay amounting to two years' salary is normally paid. In certain cases, if the employee is 50 years of age or older, 40 to 60 percent of the employee's final salary, depending on age, is paid annually to age 60. Such payments are made currently during the pertinent period and cease at age 60.

The basic security in the pension arrangements for the President Executive Vice Presidents and Senior Vice Presidents consists of affiliation with the so-called ITP plan or corresponding arrangements.

The employee's pension is premium-based. For the portion of a salary in excess of 20 basis amounts, the company pays to a capital insurance an amount that is related both to the age of the executive and to the executive's salary plus a standard bonus. Most of the Executive Vice Presidents and Senior Vice Presidents are already covered by this system.

As described in earlier Annual Reports, the following principles apply to other Executive Vice Presidents: The benefits due under the so-called ITP plan apply, supplemented by the portion of salary and bonus exceeding ITP, from age 65. In addition, the employee has the right to retire with a pension at age 60, at the earliest. Following which the pension is based on the current pensionable salary at retirement and amounts to between 40 and 70 percent of this salary. Subject to certain conditions, this pension is also paid if the employee is entitled to severance pay at age 60.

Costs of pensions for the former President, the President, one former and twelve Executive Vice Presidents amounted to SEK 53,1 m. during the year.

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Fees to auditors

	Price-waterhouse-Coopers	KPMG	Others	Total
Audit fees				
Parent company	3	-	-	3
Other companies	41	9	3	53
	44	9	3	56

Fees for other services

Parent company	27	-	-	27
Other companies	73	18	1	92
	100	18	1	119
Total fees	144	27	4	175

Auditor's report

To the Annual General Meeting of the shareholders
of Telefonaktiebolaget LM Ericsson (publ)
Corporate identity number 556016-0680

We have audited the annual statements, the consolidated statements, the accounting records and the administration of the Board of Directors and the President of Telefonaktiebolaget LM Ericsson (publ) for the year. These statements and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual statements, the consolidated statements and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual statements and the consolidated statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual statements and the consolidated statements. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions

taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Statements Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual statements and the consolidated statements have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal of the Board of Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, January 26, 2001

Carl-Eric Bohlin
Authorized Public Accountant
PricewaterhouseCoopers

Olof Herolf
Authorized Public Accountant
PricewaterhouseCoopers

Thomas Thiel
Authorized Public
Accountant

Treasury and financial risk management

Ericsson has a financial policy approved by the Board of Directors regulating the management of financial risks. To support this, Ericsson has established Treasury Centers in Stockholm, Dublin, Singapore and Dallas (collectively known as Ericsson Treasury Services, the Group's internal bank), and a Corporate Treasury unit in London.

The primary focus of the Treasury organization is to manage and control financial exposures in a manner consistent with underlying business risks. It aims to neutralize adverse effects on underlying business profitability caused by fluctuations in the financial markets.

Responsibility for identifying and hedging financial risks arising in the Group's operations rests with the individual Ericsson companies. Risks are hedged through Ericsson Treasury Services, which in turn manages the Group's exposure centrally within risk limits given by the Board.

Stock option programs for employees have created an exposure for Ericsson to the development of our own share price. An increase in share price will result in higher salary related expenses, a risk which has been hedged through the purchase of LME B shares and call options.

Ericsson classifies other financial risks as either market, credit or liquidity risks.

Market risk

Market risk is divided into two categories: foreign exchange risk and interest rate risk.

Foreign exchange risk management

Ericsson reports in Swedish Krona and today operates in more than 140 countries. Foreign currency denominated assets, liabilities, sales and purchases, together with a large cost base in Sweden, result in substantial foreign exchange exposures.

Foreign exchange risks are classified as either economic exposure, transaction exposure or translation exposure.

Economic exposure

Ericsson is very dependent on the development of exchange rates in the Swedish Krona and on economic conditions in Sweden. Around 40 percent of all employees and 25 percent of total production is

located in Sweden, but Sweden accounts for just 3 percent of all sales. With this substantial cost base in Swedish Krona, for example, adverse exchange rate developments during 2000 have had a negative impact on Ericsson compared to our competitors with costs denominated in Euro. Normally, Ericsson does not hedge economic exposure.

Transaction exposure

An analysis of net exposures for the whole Group including revenues and costs by currency shows a major net revenue exposure in Euro, but a more balanced position for US dollars. A +/-10 percent change in exchange rates between the Swedish Krona and Euro or US dollars, would have an approximate impact of +/- SEK 3.0 billion and +/- SEK 0.3 billion respectively, before any hedging effects are considered.

Ericsson would from this perspective benefit from Swedish participation in the European Monetary Union with a currency conversion to Euro. The unfavorable effects of the weaker Euro during 2000 were more than offset by hedging activities, and by positive developments in a number of other currencies in which Ericsson also has a net revenue exposure (such as Japanese Yen, British Pounds, Thai Baht and others).

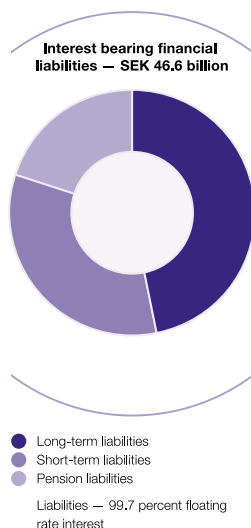
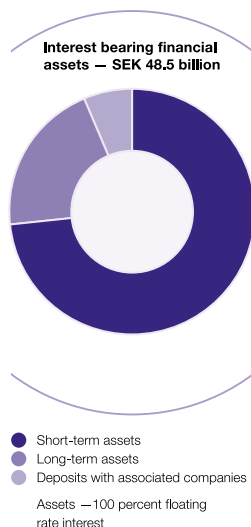
Translation exposure

As Ericsson has many subsidiaries operating outside of Sweden, the value in Swedish Krona of Ericsson's foreign investments is exposed to exchange rate fluctuations. Translation exposure in foreign subsidiaries is hedged within a policy established by the Board:

- Monetary net in companies translated using the temporal method (translation effects in investments affecting the income statement) is hedged to 100 percent.
- Equity in companies translated using the current method (translation effects reported directly in stockholders' equity in the balance sheet) is hedged selectively up to 20 percent of the total equity.

The translation differences reported in equity during the year were positive SEK 2.0 billion, mainly due to a weaker Swedish Krona.

Interest bearing financial assets and liabilities



Interest rate risk management

Ericsson is exposed to interest rate risks through market value fluctuations of certain balance sheet items and changes in interest expenses and revenues. Interest rate risks are managed centrally by Ericsson Treasury Services. The Group hedges its interest rate exposure by using derivative instruments, such as forward rate agreements, interest rate swaps and futures.

During 2000, interest rate periods for interest bearing financial assets and liabilities were short-term and balanced.

Credit risk

Credit risk is divided into three categories: customer financing risk, country risk and financial credit risk.

Customer financing risk management

Ericsson's credit approval process requires that all major customer financing commitments involve the Finance Committee of the Board of Directors.

Ericsson works actively with our customers in early discussions to structure financing of new investments in the best possible way. Vendors can add considerable value to this process and sometimes extend vendor loans. Focus has, however, in many cases shifted to vendors bridging the funding gap until medium and longer-term debt facilities are in place. Often this results in only short-term involvement, with an emphasis on a role as intermediary between the customer and financial markets. Our objective is to find suitable off-balance sheet financing solutions.

At the beginning of 2000, Corporate Customer Finance was established as a separate finance function reporting directly to the Chief Financial Officer. Risk management is centralized and Regional Corporate Customer Finance offices have been positioned in all Market Areas.

As of December 31, 2000, total gross customer financing amounted to SEK 19.6 b., of which SEK 10.0 b. were on-balance sheet for the Ericsson Group, while the remainder were guaranteed off-balance sheet items.

A decrease in total credit risk relating to customer financing over the period is the result of successful efforts to transfer existing vendor loans (in particular in Brazil and the US) to the international bank market. No actual credit losses were incurred during the year. A small number of credits have been successfully restructured.

Country risk management

Country risk measures Swedish companies' risk in relation to all foreign receivables and guarantees, equity investments in foreign subsidiaries and associated companies and lending from the internal bank by foreign subsidiaries.

Financial credit risk management

Financial instruments carry an element of risk that counterparties may be unable to fulfil their obligations. Ericsson Treasury Services limit this risk by investing excess liquidity primarily in government paper, as well as commercial paper and corporate bonds, with short-term ratings of at least A2/P2 and long-term ratings of at least A. No credit losses were incurred during the year.

Ericsson Treasury Services' external investments, as of December 31, 2000, SEK billions.

Security	2000	1999
Treasury Bills	13.2	7.0
Cash, Bank Deposits	5.6	5.7
Commercial Paper	1.9	2.1
Floating Rate Notes	1.1	0.0
Mortgage CP	0.5	0.0
Corporate Bonds	0.3	0.8
Treasury Bonds	0.2	2.1
Mortgage Bonds	0.2	0.1
Total	23.0	17.8

Ericsson Treasury Services' exposure in derivative instruments is valued at market daily and expressed as a liability to, or receivable from, each counterparty. Netting contracts (ISDA agreements) are in force for all counterparties, substantially reducing the risk.

Liquidity risk

Ericsson maintains sufficient liquidity through cash management, investments in highly liquid fixed income securities and negotiation of committed and uncommitted credit lines for potential funding needs.

Ericsson defines liquidity as cash and short-term investments (to 12 months). During 2000 liquidity increased by SEK 6.6 billion. Net liquidity, after deduction of short-term interest bearing financial liabilities, increased by SEK 3.1 billion. Net liquidity is affected by changes in operating net assets and long-term debt and equity. A build up in working capital - especially inventories - adversely affected the Group's liquidity position in 2000. The year was characterized by a number of initiatives that had a positive liquidity impact including sales of real estate, divestments of operations and sales of financial instruments. These initiatives generated SEK 26.6 billion in total.

Short and long-term borrowing programs and committed credit facilities remained unchanged.

Funding programs and long-term committed credit facilities, available and utilized, as of December 31, 2000, SEK millions.

Program/Facility	Amount	Utilized	Available
US Commercial Paper Program (USD 500m)	4,750	0	4,750
European Commercial Paper Program (USD 700m)	6,649	4,018	2,631
Swedish Commercial Paper Program (SEK 5,000m)	5,000	695	4,305
European Medium Term Program (USD 2,500m)	23,748	18,917	4,831
Long-Term Committed Credit Facility (USD 1,000m)	9,499	0	9,499
Total	49,646	23,630	26,016

Ericsson's long-term objective is to achieve payment readiness (defined as cash and temporary investments less short-term borrowings plus long-term unused credit commitments) of between 7 and 10 percent of sales to adapt to changes in liquidity requirements.

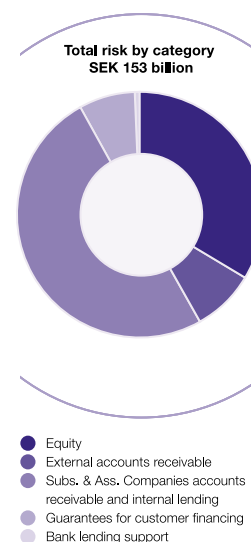
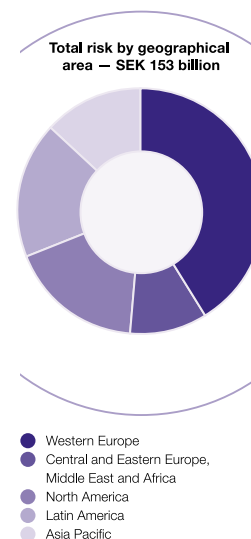
Payment readiness, as of December 31, 2000, was 11 percent of sales (12 percent in 1999).

To support this long-term payment readiness objective, Ericsson policy stipulates that the greater part of borrowings should be long-term or covered by long-term credit facilities.

Ratings, as of December 31, 2000

Rating agency	Long-term	Short-term
Moody's	A1	P-1
Standard & Poor's	A+	A-1

During 2000 Moody's and Standard & Poor's revised Ericsson's rating outlook from stable to negative. Ericsson's current long-term rating A1/A+ is one of the highest among its peers.



Ten year summary

SEK Million	2000	1999	1998
Results for the year			
Net sales	273,569	215,403	184,438
Operating income ¹	31,165	17,590	19,273
Financial net	-1,520	-698	-237
Income before taxes ¹	28,692	16,386	18,210
Year-end position			
Total assets ¹	250,314	202,628	167,456
Working capital	93,879	66,037	52,978
Capital employed	141,013	116,378	92,637
Tangible assets	22,378	24,719	22,516
Stockholders' equity ¹	91,686	69,176	63,112
Interest-bearing provisions and liabilities	46,563	45,020	27,474
Other information			
Earnings per share fully diluted, SEK ^{1,2,3,4,5}	2.65	1.54	1.67
– in accordance with U.S. GAAP, fully diluted ^{2,4,5}	2.94	1.92	1.97
Cash dividends per share, SEK ^{2,4,5}	0.50*	0.50	0.50
Shares outstanding			
– average (in thousands) ^{2,4,5}	7,869,445	7,817,164	7,800,900
Additions to tangible assets	12,293	9,085	8,965
Depreciation on tangible assets	9,957	6,532	5,545
Research and development			
– expenses	38,968	28,330	25,189
– as percent of net sales	14.2	13.2	13.7
Ratios			
Return on equity, percent ¹	26.1	18.3	22.5
Return on capital employed, percent ¹	26.5	19.0	24.9
Equity ratio, percent ¹	37.7	35.2	38.9
Debt-equity ratio ¹	0.5	0.6	0.4
Current ratio	1.6	1.6	1.6
Statistical data, year-end			
Backlog of orders	101,215	83,976	78,990
Number of employees			
– World wide	105,129	103,290	103,667
– Sweden	42,431	44,040	44,979

* For 2000, proposed by the Board of Directors.

¹ 1991–1992 adjusted for change in accounting principles.

² 1991–1994 adjusted for stock issue and 4-for-1 stock split.

³ 1991–1995 adjusted for stock dividend element of the stock issue in 1995.

⁴ 1991–1997 adjusted for stock issue 1:1.

⁵ 1991–1999 adjusted for 4-for-1 stock split.

Working capital

Current assets less current non-interest-bearing provisions and liabilities.

Capital employed

Capital employed is defined as total assets less noninterest-bearing provisions and liabilities.

Earnings per share

See Accounting principles for information of principles for calculation earnings per share. For earnings per share in accordance with U.S. GAAP, see note 24 to the Financial Statements.

Return on equity

Defined as net income expressed as a percentage of average adjusted stockholders' equity (based on the amounts at January 1 and December 31).

	1997	1996	1995	1994	1993	1992	1991
	167,740	124,266	98,780	82,554	62,954	47,020	45,793
	18,757	10,758	8,164	6,553	3,530	1,754	2,282
	48	412	58	-386	8	-204	-189
	17,218	10,152	7,615	5,610	3,108	1,241	1,595
	147,440	112,152	90,832	72,999	67,490	56,637	50,080
	53,095	36,180	29,394	20,899	20,869	20,063	17,497
	80,165	61,411	51,566	41,611	40,168	35,842	31,539
	19,225	17,754	15,521	13,678	12,363	11,093	10,477
	52,624	40,456	34,263	23,302	21,305	17,720	17,050
	23,146	17,545	15,554	16,522	16,868	16,321	12,913
	1.52	0.91	0.73	0.54	0.39	0.07	0.13
	1.63	1.02	0.89	0.66	0.47	0.19	0.23
	0.44	0.31	0.22	0.17	0.14	0.11	0.11
	7,754,968	7,676,336	7,077,536	6,950,120	6,865,088	6,594,112	6,587,968
	7,237	7,188	6,457	5,137	3,805	3,847	3,583
	5,422	4,216	3,614	3,004	2,651	2,193	1,863
	20,906	17,467	15,093	13,407	10,924	7,377	7,054
	12.5	14.1	15.3	16.2	17.4	15.7	15.4
	25.7	19.0	18.9	17.7	14.5	2.8	5.3
	29.9	22.4	20.7	18.2	12.9	9.6	12.0
	38.7	39.1	39.6	34.4	34.5	34.5	38.1
	0.4	0.4	0.4	0.7	0.7	0.8	0.7
	1.7	1.5	1.6	1.5	1.6	1.6	1.7
	77,499	63,401	48,401	45,671	45,296	38,050	28,777
	100,774	93,949	84,513	76,144	69,597	66,232	71,247
	45,360	43,896	42,022	36,984	31,796	29,979	31,244

Return on capital employed

Defined as the total of operating income plus financial income as a percentage of average capital employed (based on the amounts at January 1 and December 31).

Equity ratio

Defined as the total of stockholders' equity and minority interest in equity of consolidated subsidiaries, expressed as a percentage of total assets.

Debt-equity ratio

Defined as total interest-bearing provisions and liabilities divided by the total of stockholders' equity and minority interest in equity of consolidated subsidiaries.

Current ratio

Current assets divided by the sum of current provisions and liabilities.

Capital turnover

Net sales divided by average capital employed.

Accounts receivable turnover

Net sales divided by average accounts receivable.

Inventory turnover

Cost of sales divided by average inventory.

Return on sales

Operating income plus Financial income divided by net sales.

Board of Directors and Auditors



1 Lars Ramqvist (1938*)

Chairman and (until December 31, 2000) CEO. Chairman of the Finance Committee of the Board. Doctor of Philosophy. Honorary Doctor of Technology. Honorary Doctor of Philosophy. Chairman of the Boards of Skandia and Volvo. Member of the Boards of AstraZeneca and SCA. Member of the Royal Swedish Academy of Sciences, the Royal Swedish Academy of Engineering Sciences and the European Round Table of Industrialists.

Member since 1990

Shares held: LME B 30,206

Convertible debentures: 145,347**

2 Tom Hedelius (1939*)

Deputy Chairman and member of the Finance Committee of the Board. Honorary Doctor of Economics. Chairman of the Boards of Handelsbanken, Bergman & Beving, Svenska Le Carbone and the Foundation of Anders Sandrew. Deputy Chairman of Industrivärden. Member of the Boards of Volvo and SCA. Member of SAS Assembly of Representatives.

Member since 1991

Shares held: LME B 72,616

3 Marcus Wallenberg (1956*)

Deputy Chairman and member of the Finance Committee of the Board. President of Investor. Deputy Chairman of Saab. Member of the Boards of Astra, AstraZeneca, Investor, Scania, Stora Enso, SAS Assembly of Representatives, and the Foundation of Knut and Alice Wallenberg.

Member since 1996

Shares held: LME B 352,000

4 Kurt Hellström (1943*)

President and (as of January 1, 2001) CEO. Member of the Board of Atlas Copco.

Shares held: LME B 22,692

Convertible debentures: 145,347**

Options*

5 Niall FitzGerald (1945*)

President and CEO of Unilever PLC. Member of the Board of Merck & Co. Inc.

Member since 2,000

Shares held: LME B 796

6 Göran Engström (1948*)

Employee representative and member of the Finance Committee of the Board. Member since 1994

Shares held: LME B 4,774

Convertible debentures: 99,120**

7 Jan Hedlund (1946*)

Employee representative and member of the Audit Committee of the Board. Member since 1994

Convertible debentures: 75,520**

8 Göran Lindahl (1945*)

Chairman of the Remuneration Committee of the Board. Honorary Doctor of Technology. President and CEO of ABB Ltd (until December 31, 2000).

Member of the Boards of ABB Ltd. and DuPont. Member of the Salomon Smith Barney International Advisory Board. Member since 1999

Shares held: LME B 50,000

9 Per Lindh (1957*)

Employee representative.

Member since 1994

10 Sverker Martin-Löf (1943*)

Member of the Remuneration Committee of the Board. President and CEO of SCA. Member of the Boards of the Federation of Swedish Industries and the Swedish Forest Industries Ass. Member since 1991

Shares held: LME B 8,000

11 Eckhard Pfeiffer (1941*)

Chairman of the Board of Intershop Communications AG. Member of the Boards of General Motors Corp., Hughes Electronics Corp., IFCO Systems, N.V., NxView Technologies. Member of the Business Council and the Advisory Board of Deutsche Bank. Member since 2000

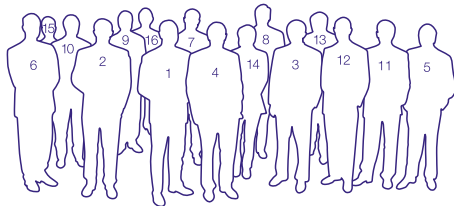
Shares held: LME B 15,200

12 Clas Reuterskiöld (1939*)

Chairman of the Audit Committee of the Board. President and CEO of Industrivärden. Member of the Boards of Handelsbanken, SCA, Sandvik and Skanska. Member since 1994

Shares held: LME B 40,000

Ericsson Executive Team



13 Peter Sutherland (1946*)

Member of the Audit Committee of the Board. Honorary Doctor. Chairman of the Boards of Goldman Sachs International and BP Amoco. Member of the Boards of Investor, ABB Ltd. and the Foundation of the World Economic Forum. Member since 1996

14 Monica Bergström (1961*)

Employee representative.
Member since 1998
Convertible debentures: 75,520**

15 Christer Binning (1946*)

Employee representative.
Member since 1994
Convertible debentures: 145,347**

16 Åke Svenmarck (1942*)

Employee representative
Member since 2000

Statutory Auditors

Carl-Eric Bohlin
Authorized Public Accountant, PricewaterhouseCoopers.

Olof Herolf
Authorized Public Accountant, PricewaterhouseCoopers.

Thomas Thiel
Authorized Public Accountant

Deputy Auditors

Bo Hjalmarsson
Authorized Public Accountant, PricewaterhouseCoopers.

Jeanette Skoglund
Authorized Public Accountant, PricewaterhouseCoopers.

Stefan Holmström
Authorized Public Accountant

Corporate Management

Kurt Hellström (1943*)
President and CEO
Shares held: LME B 22,692
Convertible debentures: 145,347**
Employee options ¹

Sten Fornell (1948*)
Executive Vice President and
Chief Financial Officer
Shares held: LME B 176,000
Employee options ¹

Heads of Business Divisions

(Executive Vice Presidents)

Mats Dahlin (1954*)
Mobile Systems
Shares held: LME B 8,000
Employee options ¹

Einar Lindqvist (1959*)
Multiservice Networks
Shares held: LME B 1,000
Employee options ¹

Bert Nordberg (1956*)
Global Services
Shares held: LME B 1,000
Convertible debentures: 145,347**
Employee options ¹

Hajjo Pietersma (1953)
Internet Solutions
Convertible debentures: 145 347**
Employee options ¹

Michael Thurk (1952*)
Data Backbone and Optical
Networks
Shares held: LME B 2,000
Convertible debentures: 145,347**
Employee options ¹

Jan Wäreby (1956*)
Consumer Products
Shares held: LME B 1,000
Convertible debentures: 145,347**
Employee options ¹

Heads of Market Areas

(Executive Vice Presidents)

Karl Alsmar (1949*)
Central & Eastern Europe,
Middle East and Africa
Shares held: LME B 18,000
Employee options ¹

Ragnar Bäck (1944*)
Western Europe
Shares held: LME B 1,000
Convertible debentures: 145,347**
Employee options ¹

Bengt A. Forssberg (1937*)
Latin America
Shares held: LME B 4,000
Convertible debentures: 145,347**
Employee options ¹

Per-Arne Sandström (1947*)
North America
Shares held: LME B 2,904
Convertible debentures: 145,347**
Employee options ¹

Kjell Sörme (1939*)
Asia Pacific
Shares held: LME B 125,592
Convertible debentures: 145,347**
Employee options ¹

Swedish Operations

(Executive Vice President)

Johan Siberg (1944*)
Corporate Office Sweden
Shares held: LME B 60,000
Convertible debentures: 145 347**
Employee options ¹

Heads of Corporate functions

(Senior Vice Presidents)

Carl Olof Blomqvist (1951*)
Legal Affairs
Employee options ¹

Björn Boström (1947*)
Supply and Information Technology
Shares held: LME B 2,228
Convertible debentures: 145,347**
Employee options ¹

Roland Klein (1954*)
Communications
Shares held: LME B 2,000
Employee options ¹

Torbjörn Nilsson (1953*)
Marketing and Strategic
Business Developments
Shares held: LME B 23,301
Convertible debentures: 145,347**
Employee options ¹

Britt Reigo (1943*)
People and Culture
Shares held: LME B 12,000
Convertible debentures: 145,347**
Employee options ¹

Jan Uddenfeldt (1950*)
Technology
Shares held: LME B 2,756
Convertible debentures: 145,347**
Employee options ¹

Other Operations

Bo Andersson (1951*)
President, Ericsson Microelectronics
Shares held: LME B 5 208
Convertible debentures: 145,347**
Options ¹

Ulf Berg (1951*)
President, Ericsson Microwave
Systems
Options ¹

Bernt Ericsson (1945*)
Vice President, Ericsson Foresight
Shares held: LME B 6 984
Convertible debentures: 145,347**
Options ¹

Jöran Hoff (1943*)
President, Ericsson Business
Innovation
Options ¹

Thomas Ivarsson (1954*)
President, Ericsson Hewlett-Packard
Shares held: LME B 26
Convertible debentures: 145,347**
Options ¹

Janne Sjöden (1944*)
President, Ericsson Network
Technologies
Shares held: LME B 2 000
Convertible debentures: 145,347**
Options ¹

Lars Svensson (1950*)
President, Ericsson Enterprise
Shares held: LME B 412
Convertible debentures: 436,041**
Options ¹

* Year of birth

** Convertible debentures 1997/2003 with a conversion rate of SEK 59

¹ For further information on the option plans for year 1999 and 2000, see the Board of Directors' Report under 'Employees'.

Segments and Market Areas

Segments

Net sales by segment by quarter (SEK m.)

Year to date	0003A	0006A	0009A	2000 0012A	9903A	9906A	9909A	1999 9912A
Network operators & service providers	38,718	84,819	132,693	194,074	28,505	64,314	99,208	149,943
Consumer products	14,794	28,145	42,483	56,343	9,696	20,064	29,797	46,444
Enterprise solutions	3,858	7,864	11,635	17,479	3,446	7,841	11,949	17,345
Other operations	5,343	9,935	14,269	19,027	3,312	7,301	11,326	16,750
Less: Inter segment sales	-3,628	-6,645	-9,620	-13,354	-3,388	-7,137	-10,632	-15,079
Total	59,085	124,118	191,460	273,569	41,571	92,383	141,648	215,403

Change	0003A	0006A	0009A	0012A
Network operators & service providers	36%	32%	34%	29%
Consumer products	53%	40%	43%	21%
Enterprise solutions	12%	0%	-3%	1%
Other operations	61%	36%	26%	14%
Less: Inter segment sales	7%	-7%	-10%	-11%
Total	42%	34%	35%	27%

Isolated quarters	Q1	Q2	Q3	2000 Q4	Q1	Q2	Q3	1999 Q4
Network operators & service providers	38,718	46,101	47,874	61,381	28,505	35,809	34,894	50,735
Consumer products	14,794	13,351	14,338	13,860	9,696	10,368	9,733	16,647
Enterprise solutions	3,858	4,006	3,771	5,844	3,446	4,395	4,108	5,396
Other operations	5,343	4,591	4,334	4,758	3,312	3,989	4,025	5,424
Less: Inter segment sales	-3,628	-3,016	-2,975	-3,734	-3,388	-3,749	-3,495	-4,447
Total	59,085	65,033	67,342	82,109	41,571	50,812	49,265	73,755

Change	Q1	Q2	Q3	Q4
Network operators & service providers	36%	29%	37%	21%
Consumer products	53%	29%	47%	-17%
Enterprise solutions	12%	-9%	-8%	8%
Other operations	61%	15%	8%	-12%
Less: Inter segment sales	7%	-20%	-15%	-16%
Total	42%	28%	37%	11%

Orders booked by segment by quarter (SEK m.)

Year to date	2000				1999			
	0003A	0006A	0009A	0012A	9903A	9906A	9909A	9912A
Network operators & service providers	57,465	102,735	152,262	212,440	32,672	69,879	110,916	151,762
Consumer products	14,562	27,988	42,123	57,001	10,116	20,196	31,948	47,552
Enterprise Solutions	5,486	9,428	13,097	17,834	4,259	8,835	13,290	17,978
Other operations	5,854	10,770	14,724	18,573	3,795	8,134	12,769	22,021
Less: Inter segment sales	-3,893	-6,726	-9,340	-13,504	-3,381	-7,371	-11,111	-15,485
Total	79,474	144,195	212,866	292,344	47,461	99,673	157,812	223,828

Change	0003A	0006A	0009A	0012A
Network operators & service providers	76%	47%	37%	40%
Consumer products	44%	39%	32%	20%
Enterprise solutions	29%	7%	-1%	-1%
Other operations	54%	32%	15%	-16%
Less: Inter segment sales	15%	-9%	-16%	-13%
Total	67%	45%	35%	31%

Isolated quarters	2000				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Network operators & service providers	57,465	45,270	49,527	60,178	32,672	37,207	41,037	40,846
Consumer products	14,562	13,426	14,135	14,878	10,116	10,080	11,752	15,604
Enterprise solutions	5,486	3,942	3,669	4,737	4,259	4,576	4,455	4,688
Other operations	5,854	4,915	3,954	3,849	3,795	4,339	4,635	9,252
Less: Inter segment sales	-3,893	-2,832	-2,614	-4,164	-3,381	-3,990	-3,740	-4,374
Total	79,474	64,721	68,671	79,478	47,461	52,212	58,139	66,016

Change	Q1	Q2	Q3	Q4
Network operators & service providers	76%	22%	21%	47%
Consumer products	44%	33%	20%	-5%
Enterprise solutions	29%	-14%	-18%	1%
Other operations	54%	13%	-15%	-58%
Less: Inter segment sales	15%	-29%	-30%	-5%
Total	67%	24%	18%	20%

Number of employees by segment by quarter

	2000				1999			
	0003A	0006A	0009A	0012A	9903A	9906A	9909A	9912A
Network operators & service providers	63,616	65,005	66,973	70,317	65,530	65,909	65,359	64,695
Consumer products	17,290	17,710	18,137	16,840	14,116	14,053	14,970	16,446
Enterprise solutions	9,130	8,687	8,739	8,324	9,856	10,329	10,262	9,615
Other operations	11,257	8,839	8,461	8,520	11,046	11,278	11,474	11,525
Unallocated	1,030	1,076	1,084	1,128	669	809	712	1,009
Total	102,323	101,317	103,394	105,129	101,217	102,378	102,777	103,290

Change	Q1	Q2	Q3	Q4
Network operators & service providers	-3%	-1%	2%	9%
Consumer products	22%	26%	21%	2%
Enterprise solutions	-7%	-16%	-15%	-13%
Other operations	2%	-22%	-26%	-26%
Unallocated	54%	33%	52%	12%
Total	1%	-1%	1%	2%

Adjusted operating income and operating margin by segment by quarter (SEK m.)

Year-to-date	0003A	0006A	0009A	2000 0012A	9903A	9906A	9909A	1999 9912A
Network operators & Service providers	5,760	15,581	23,688	33,072	2,108	5,758	10,919	19,637
Consumer products	457	-1,829	-5,932	-16,195	-23	-56	-675	253
Enterprise solutions	29	-21	-256	22	-222	-216	-382	64
Other operations	543	1,060	1,925	1,708	221	629	426	403
Unallocated*	-414	-1,257	-1,171	-1,858	-205	-666	-1,098	-2,439
Total adjusted operating income	6,375	13,534	18,254	16,749	1,879	5,449	9,190	17,918
Adjustments								
Non-operational items	0	5,838	7,264	7,033	-93	-287	-287	-328
Additional restructuring	0	0	0	-8,000	0	0	0	0
Capital gain Juniper Networks	0	0	0	15,383	0	0	0	0

As percentage of net sales	0003A	0006A	0009A	2000 0012A	9903A	9906A	9909A	1999 9912A
Network operators & Service providers	15%	18%	18%	17%	7%	9%	11%	13%
Consumer products	3%	-6%	-14%	-29%	0%	0%	-2%	1%
Enterprise solutions	1%	0%	-2%	0%	-6%	-3%	-3%	0%
Other operations	10%	11%	13%	9%	7%	9%	4%	2%
Total	11%	11%	10%	6%	5%	6%	6%	8%

Isolated quarters	Q1	Q2	Q3	2000 Q4	Q1	Q2	Q3	1999 Q4
Network operators & Service providers	5,760	9,821	8,107	9,384	2,108	3,650	5,161	8,718
Consumer products	457	-2,286	-4,103	-10,263	-23	-33	-619	928
Enterprise solutions	29	-50	-235	278	-222	6	-166	446
Other operations	543	517	865	-217	221	408	-203	-23
Unallocated*	-414	-843	86	-687	-205	-461	-432	-1,341
Total adjusted operating income	6,375	7,159	4,720	-1,505	1,879	3,570	3,741	8,728
Adjustments								
Non-operational items	0	5,838	1,426	-231	-93	-194	0	-41
Additional restructuring	0	0	0	-8,000	0	0	0	0
Capital gain Juniper Networks	0	0	0	15,383	0	0	0	0

As percentage of net sales	Q1	Q2	Q3	2000 Q4	Q1	Q2	Q3	1999 Q4
Network operators & Service providers	15%	21%	17%	15%	7%	10%	15%	17%
Consumer products	3%	-17%	-29%	-74%	0%	0%	-6%	6%
Enterprise solutions	1%	-1%	-6%	5%	-6%	0%	-4%	8%
Other operations	10%	11%	20%	-5%	7%	10%	-5%	0%
Total	11%	11%	7%	-2%	5%	7%	8%	12%

* "Unallocated" consists mainly of costs for corporate staffs, certain goodwill amortization and non-operational gains and losses

Orders booked by segment by quarter (SEK m.)

Isolated quarters	Q1	Q2	Q3	Q4	2000 Total YTD
Systems	57,944	45,559	49,706	59,891	213,100
of which mobile system	48,471	37,286	39,981	49,871	175,609
multi service networks	9,473	8,273	9,725	10,020	37,491
Phones	14,562	13,426	14,135	14,878	57,001
Other operations	11,266	8,725	7,674	8,086	35,751
Less: Intersegment sales	-4,298	-2,989	-2,844	-3,377	-13,508
Total	79,474	64,721	68,671	79,478	292,344

Net sales by segment by quarter (SEK m.)

Isolated quarters	Q1	Q2	Q3	Q4	2000 Total YTD
Systems	38,910	46,433	48,087	61,253	194,683
of which Mobile System	32,481	37,858	38,722	49,022	158,083
Multi Service Networks	6,429	8,575	9,365	12,231	36,600
Phones	14,794	13,351	14,338	13,860	56,343
Other operations	9,297	8,504	8,087	10,039	35,927
Less : Intersegment sales	-3,916	-3,255	-3,170	-3,043	-13,384
Total	59,085	65,033	67,342	82,109	273,569

Adjusted operating income segment by quarter (SEK m.)

Isolated quarters	Q1	Q2	Q3	Q4	Total YTD
Systems	5,753	9,812	8,242	9,416	33,223
Phones	457	-2,286	-4,103	-10,263	-16,195
Other operations	578	480	492	29	1,579
Unallocated*	-413	-847	89	-687	-1,858
Total	6,375	7,159	4,720	-1,505	16,749

Adjustments

Non-operational items	0	5,838	1,426	-231	7,033
Additional restructuring	0	0	0	-8,000	-8,000
Capital gain Juniper Networks	0	0	0	15,383	15,383

Adjusted operating margin by segment by quarter

Isolated quarters	Q1	Q2	Q3	Q4	2000 YTD
Systems	15%	21%	17%	15%	17%
Phones	3%	-17%	-29%	-74%	-29%
Other operations	6%	6%	6%	0%	4%
Total	11%	11%	7%	-2%	6%

Number of employees by segment by quarter

	0003A	0006A	0009A	0012A	2000 YTD
Systems	64,836	66,207	68,571	71,102	
Phones	17,290	17,710	18,137	16,840	
Other operations	19,167	16,324	15,602	16,059	
Unallocated*	1,030	1,076	1,084	1,128	
Total	102,323	101,317	103,394	105,129	

* "Unallocated" consists mainly of costs for corporate staffs, certain goodwill amortization and non-operational gains and losses

Net sales by Market Area by quarter (SEK m.)

Year-to-date	0003A	0006A	0009A	2000 0012A	9903A	9906A	9909A	1999 9912A
Western Europe*	23,578	47,011	70,090	100,234	17,350	36,374	55,890	85,329
Central and Eastern Europe, Middle East & Africa	7,323	16,799	25,850	37,701	4,779	12,621	19,528	29,736
North America	8,549	19,263	27,704	35,193	4,179	11,387	17,610	25,175
Latin America	7,781	17,334	28,953	44,118	4,920	12,186	18,916	30,263
Asia Pacific	11,854	23,711	38,863	56,323	10,343	19,815	29,704	44,900
Total	59,085	124,118	191,460	273,569	41,571	92,383	141,648	215,403
*Of which Sweden	2,380	4,371	6,704	8,732	1,685	3,868	5,461	7,551
Of which EU	22,052	44,031	65,754	94,293	16,261	34,299	52,411	80,345

Change	0003A	0006A	0009A	0012A
Western Europe*	36%	29%	25%	17%
Central and Eastern Europe, Middle East & Africa	53%	33%	32%	27%
North America	105%	69%	57%	40%
Latin America	58%	42%	53%	46%
Asia Pacific	15%	20%	31%	25%
Total	42%	34%	35%	27%
*Of which Sweden	41%	13%	23%	16%
*Of which EU	36%	28%	25%	17%

Isolated quarters	Q1	Q2	Q3	2000 Q4	Q1	Q2	Q3	1999 Q4
Western Europe*	23,578	23,433	23,079	30,144	17,350	19,024	19,516	29,439
Central and Eastern Europe, Middle East & Africa	7,323	9,476	9,051	11,851	4,779	7,842	6,907	10,208
North America	8,549	10,714	8,441	7,489	4,179	7,208	6,223	7,565
Latin America	7,781	9,553	11,619	15,165	4,920	7,266	6,730	11,347
Asia Pacific	11,854	11,857	15,152	17,460	10,343	9,472	9,889	15,196
Total	59,085	65,033	67,342	82,109	41,571	50,812	49,265	73,755
*Of which Sweden	2,380	1,991	2,333	2,028	1,685	2,183	1,593	2,090
*Of which EU	22,052	21,980	21,723	28,539	16,261	18,038	18,112	27,934

Change	Q1	Q2	Q3	Q4
Western Europe*	36%	23%	18%	2%
Central and Eastern Europe, Middle East & Africa	53%	21%	31%	16%
North America	105%	49%	36%	-1%
Latin America	58%	31%	73%	34%
Asia Pacific	15%	25%	53%	15%
Total	42%	28%	37%	11%
*Of which Sweden	41%	-9%	46%	-3%
*Of which EU	36%	22%	20%	2%

Orders booked by Market Area by quarter (SEK m.)

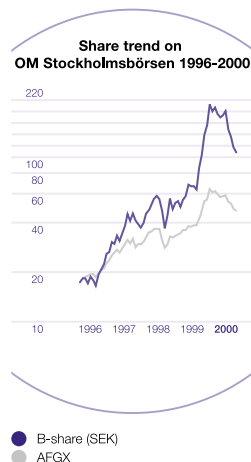
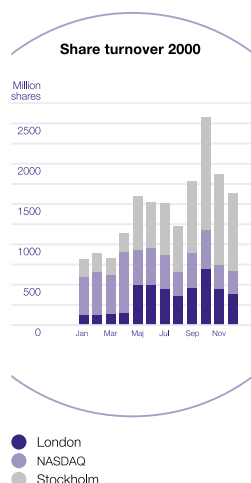
Year-to-date	0003A	0006A	0009A	2000 0012A	9903A	9906A	9909A	1999 9912A
Western Europe*	25,048	50,870	71,807	105,684	19,096	40,380	63,882	95,707
Central and Eastern Europe, Middle East & Africa	17,388	24,503	32,104	40,972	9,197	14,764	25,786	30,626
North America	9,148	19,082	27,326	37,977	6,024	12,523	19,622	27,468
Latin America	9,695	19,312	33,053	44,959	3,432	11,032	17,816	27,797
Asia Pacific	18,195	30,428	48,576	62,752	9,712	20,974	30,706	42,230
Total	79,474	144,195	212,866	292,344	47,461	99,673	157,812	223,828
*Of which Sweden	2,924	6,010	7,983	9,876	1,565	3,517	5,248	7,182
*Of which EU	23,261	47,523	67,194	99,951	17,826	37,990	60,050	90,562

Change	0003A	0006A	0009A	0012A
Western Europe*	31%	26%	12%	10%
Central and Eastern Europe, Middle East & Africa	89%	66%	25%	34%
North America	52%	52%	39%	38%
Latin America	182%	75%	86%	62%
Asia Pacific	87%	45%	58%	49%
Total	67%	45%	35%	31%
*Of which Sweden	87%	71%	52%	38%
*Of which EU	30%	25%	12%	10%

Isolated quarters	Q1	Q2	Q3	2000 Q4	Q1	Q2	Q3	1999 Q4
Western Europe*	25,048	25,822	20,937	33,877	19,096	21,284	23,502	31,825
Central and Eastern Europe, Middle East & Africa	17,388	7,115	7,601	8,868	9,197	5,567	11,022	4,840
North America	9,148	9,934	8,244	10,651	6,024	6,499	7,099	7,846
Latin America	9,695	9,617	13,741	11,906	3,432	7,600	6,784	9,981
Asia Pacific	18,195	12,233	18,148	14,176	9,712	11,262	9,732	11,524
Total	79,474	64,721	68,671	79,478	47,461	52,212	58,139	66,016
*Of which Sweden	2,924	3,086	1,972	1,893	1,565	1,952	1,731	1,934
*Of which EU	23,261	24,262	19,671	32,757	17,826	20,164	22,060	30,512

Change	Q1	Q2	Q3	Q4
Western Europe*	31%	21%	-11%	6%
Central and Eastern Europe, Middle East & Africa	89%	28%	-31%	83%
North America	52%	53%	16%	36%
Latin America	182%	27%	103%	19%
Asia Pacific	87%	9%	86%	23%
Total	67%	24%	18%	20%
*Of which Sweden	87%	58%	14%	-2%
*Of which EU	30%	20%	-11%	7%

Share information



Stock exchange trading

Ericsson's Series A and Series B shares are traded on the OM Stockholm Stock Exchange, and the Series B shares are also traded on the exchanges in Düsseldorf, Frankfurt, Hamburg, London and Paris, and on the "Swiss Exchange" in Switzerland. Ericsson shares are also traded in the United States in the form of American Depositary Receipts (ADRs) through the NASDAQ system, under the symbol ERICY. Each ADR represents one Series B share.

Ericsson shares have been traded in Euros in Frankfurt and Paris since January 1, 1999. More than 17 billion shares were traded in 2000. Of this number, about 44 (48) percent were traded on the OM Stockholm Stock Exchange, 31 (22) percent via the NASDAQ exchange and 24 (29) percent on the London Stock Exchange. Trading on other exchanges amounted to about 1 percent of the total, unchanged from the previous year.

During 1993 a subordinated convertible debenture loan was issued with a par value of SEK2,171,719,760 and with a term of seven years. These convertibles were traded on the OM Stockholm Stock Exchange and as American Depositary Debentures (ADDs) on the NASDAQ system. The convertibles and the ADDs carried the right to convert to the Ericsson B shares. Last day for conversion was May 31, 2000. Date of maturity for the 1993/2000 convertible debenture loan was June 30, 2000. At that date, less than 1 percent of the outstanding convertible debenture loan remained unexchanged and was redeemed including one final interest payment.

Share price trend

The total market value of the Ericsson share dropped 21 percent in 2000 to SEK852 billion. The index for the OM Stockholm Stock Exchange decreased by 12 percent during the year. The NASDAQ composite index decreased by 39 percent and the NASDAQ telecom index decreased by 54 percent in the same period. The Ericsson share decreased by 32 percent on NASDAQ. The difference to the development on OM Stockholmsbörsen is mainly attributed to currency changes SE/USD.

Shareholders

In all, about 90 percent of Ericsson's shares are owned by Swedish and international institutions. At the end of 2000, about 55 (55) percent of the shares were held

outside Sweden, with 29 (33) percent in the US, 5 (6) percent in the UK, 5 (2) percent in Luxemburg, 4 (4) percent in Germany, and 12 (12) percent in countries.

Employee ownership

The Ericsson Savings Fund (Ericssons Allemansfond) was started in 1984. The Fund, which has 1,156 participants, invests in Ericsson's shares. At the end of 2000 the Fund held 3,540,000 shares. The price per unit at year-end was SEK5,762 (SEK7,568).

A convertible debenture loan amounting to SEK6,000 Million was issued in 1997 with preferential rights to Ericsson's employees. Employees who joined Ericsson after October 10, 1997, were given an opportunity to purchase convertible debentures issued by AB Aulis, an Ericsson company.

In 1998, an option plan was implemented for 500 key personnel, who were allotted seven-year call options in Ericsson. The size of the allotment was decided by earnings per share for 1998, and the employee salary and bonus category. Based on the same principles, some 2,000 key employees and senior executives received seven-year employee options based on earnings in 1999. At an Extraordinary General Meeting in November, 1999, it was decided to implement a stock option plan also for fiscal year 2000. In accordance with this resolution, 50.4 million employee options (adjusted for split 4:1) were issued to approximately 8,000 employees.

Share capital

As of December 31, 2000, Ericsson's share capital consisted of SEK7,910,335,612 (4,892,846,303), represented by 7,910,335,612 shares. The par value of each share is SEK1.00. As of December 31, 2000, the shares were divided into 656,218,640 Series A shares, each carrying one vote, and 7,254,116,972 Series B shares, each carrying one-thousandth of a vote.

On April 18, 2000 Ericsson effected a stock dividend through which the par value of the share increased from SEK2.50 to SEK4.00, followed by a stock split 4:1. The share capital increased to SEK7,844,422,428, represented by 7,844,422,428 shares. As a consequence of the split, the par value of the share is SEK1.00.

During the period January 1 to January 22, 2001, convertible debentures related to convertible liabilities for 1997 were converted to 47,092 B shares.

Share data	2000 ¹	1999 ¹	1998 ^{1,4}	1997 ^{1,4}	1996 ^{1,4}
Earnings per share, fully diluted (SEK)	2.65	1.54	1.67	1.52	0.91
P/E ratio, B shares ²	40	89	29	25	29
Dividend (SEK)	0.50 ³	0.50	0.50	0.44	0.31
Direct return %	0.5	0.4	1.0	1.2	1.2

OM Stockholm Stock Exchange share prices (SEK)

A at December 29	111	144	52	39	27
B at December 29	108	137	48	37	27
B high for year	231	143	67	48	27
B low for year	101	44	30	26	14

¹ Adjusted for 4:1 split² P/E ratio = Price per share at December 31, divided by earnings per share fully diluted³ For 2000, proposed by the Board of Directors⁴ Adjusted for 1:1 stock dividend

Changes in capital stock 1996–2000		Number of shares	Capital stock
1996	January 1	957,614,897	2,394,037,243
1996	Conversions	3,547,308	8,868,270
1997	Conversions	13,333,854	33,334,635
1998	Stock dividend	1:1 975,097,150	2,437,742,875
1998	Conversions	1,759,181	4,397,952
1999	Conversions	5,786,131	14,465,328
2000	Stock dividend	–	2,941,658,410
2000	Split	4:1 5,883,316,821	–
2000	Conversions	69,880,270	75,830,899
2000	December 31*	7,910,335,612	7,910,335,612

* of which treasury stock 1,804,000

Largest shareholders by voting rights, December 31, 2000	Number of shares	Voting rights percent
AB Industrivärden	186,000,000	28.0
Investor AB	273,506,800	22.2
Wallenberg-stiftelser	109,172,096	16.5
Svenska Handelsbankens Pensionsstiftelse	41,600,000	5.4
Livförsäkrings AB Skandia	76,852,806	5.0
Pensionskassan SHB Försäkringsförening	31,680,000	4.8
Oktogonen, Stiftelsen	12,903,000	1.9
SEB-Trygg Liv	64,594,900	1.8
SEB-stiftelsen	11,322,120	1.7
Svenska Handelsbankens personalstiftelse	10,000,000	1.5
Fjärde AP-Fonden	302,060,000	1.4
Svenska Handelsbankens aktiefonder	51,047,972	0.6
Wallanders och Hedelius' stiftelse	3,200,000	0.5
Foreign ownership	4,292,228,436	1.9

Glossary

This glossary has been prepared for a broad group of readers who may not be familiar with technical terms in this Annual Report. However, brief definitions of these terms cannot provide complete explanations.

ADSL (Asymmetrical Digital Subscriber Line)

A method to increase transmission speed in a copper cable. ADSL facilitates the division of capacity into a channel with higher speed to the subscriber, typically for video transmission, and a channel with significantly lower speed in the other direction.

ATM (Asynchronous Transfer Mode)

A technology for broadband transmission of voice, data and video transmission of telecom signals in large amounts. In addition to high-capacity signal transmission, ATM provides considerable flexibility, since the individual subscriber is able to adapt the capacity of a switched connection to current requirements.

AXE

An open architecture, Ericsson's communications platform. A system for computer-controlled digital exchanges that constitute the nodes in large public telecommunications networks. The basis for Ericsson's wireline and mobile systems.

Bluetooth

A radio technology developed by Ericsson and other companies built around a new chip that makes it possible to transmit signals over short distances between phones, computers and other devices without the use of wires.

CDMA (Code Division Multiple Access)

A technology for digital transmission of radio signals between, for example, a mobile phone and a radio base station. In CDMA, a frequency is divided into a number of codes.

Circuit Switching

A switched circuit is only maintained while the sender and recipient are communicating, as opposed to a dedicated circuit which is held open regardless of whether data is being sent or not.

Edge

A technology that gives GSM and TDMA similar capacity to handle services for the third generation of mobile telephony. Developed to enable the transmission of large amounts of data at a high speed, 384 kilobits per second in mobile applications.

Epoc

An operating system for mobile terminals, developed by Symbian (Ericsson joint-venture company including Matsushita, Motorola, Nokia and Psion).

GPRS (General Packet Radio Service)

A packet-switched technology that enables high-speed (115 kilobits per second) wireless Internet and other data communications.

GSM (Global System for Mobile Communication)

Originally developed as a pan-European standard for digital mobile telephony, GSM has become the world's most widely used mobile system. It is used on the 900 MHz and 1800 MHz frequencies in Europe, Asia and Australia, and the 1900 MHz frequency in North America and Latin America.

IP (Internet Protocol)

The Internet protocol defines how information travels between networks across the Internet.

ISDN (Intergrated Services Network)

A technology which offers high speed transmission of voice, data and video through existing fixed line infrastructure.

ISP (Internet Service Provider)

A company specializing in offering end-users access to the Internet. As a rule does not have own communications network but functions as a link between the user and the network operator.

ITU (International Telecommunication Union)

A United Nations agency that deals with telecommunications issues.

LAN (Local Area Network)

A small data network covering a limited area, such as within a building or group of buildings.

Packet switching

A method of switching data in a network where individual packets of a set size and format are accepted by the network and delivered to their destinations. The sequence of the packets is maintained and the destination established by the exchange of control information (also contained in the packets) between the sending terminal and the network before the transmission starts.

PBX (Private Branch Exchange)

An exchange system used in companies and organizations to handle internal and external calls.

PDC (Personal Digital Cellular)

A Japanese standard for digital mobile telephony in the 800 MHz and 1500 MHz bands.

Router

A data switch that handles connections between different networks. A router identifies the addresses on data passing through the switch, determines which route the transmission should take and collects data in so-called packets that are then sent to their destinations.

SMS (Short Message Service)

Available on digital networks, allowing messages of up to 160 characters to be sent and received via the network operator's message center to your mobile phone.

3GPP (Third-generation Partnership Project)

A global cooperative project in which standardization bodies in Europe, Japan, South Korea and the United States as founders are coordinating WCDMA issues. See also WCDMA.

TDMA (Time Division Multiple Access)

A technology for digital transmission of radio signals between, for example, a mobile phone and a radio base station. In TDMA, the frequency band is split into a number of channels that are stacked into short time

units so that several calls can share a single channel without interfering with one another. TDMA is also the name of a digital technology based on the IS-136 standard. TDMA is the current designation for what was formerly known as D-AMPS.

UMTS (Universal Mobile Telecommunications System)

The name of the third-generation mobile phone standard in Europe, standardized by ETSI.

VOIP (Voice over Internet Protocol)

A technology for transmitting ordinary phone calls over the Internet using packet-linked routes. Also called IP telephony.

WAP (Wireless Application Protocol)

A free, unlicensed protocol for wireless communications that makes it possible to create advanced telecommunications services and to access Internet pages from a mobile telephone. WAP is the de facto standard that is supported by a large number of suppliers.

WCDMA (Wideband Code Division Multiple Access)

A technology for wideband digital radio communications of Internet, multimedia, video and other capacity-demanding applications. WCDMA, developed by Ericsson and others, has been selected for the third generation of mobile phone systems in Europe, Japan, Korea and the US. The technology is also the principal alternative being discussed in the remaining parts of the world.

WDM (Wavelength Division Multiplexing)

A technology that uses optical signals on different wavelengths to increase the capacity of fiber optic networks in order to handle a number of services simultaneously.

W-LAN (Wireless-Local Area Network)

A wireless version of the LAN.

Shareholder information 2001

The Annual General Meeting will be held at the Globe Arena, Arenatorget, Stockholm, at 4,30 p.m. on Wednesday, March 28, 2001.

Shareholders intending to participate in the Annual General Meeting must be entered as shareholders in the share register maintained by VPC AB (Swedish Securities Register Center) not later than March 16, 2001.

A shareholder whose shares are registered in the name of a trustee must temporarily be entered in the share register not later than March 16, 2001, in order to participate in the Meeting.

Notice of participation in the Annual General Meeting

In addition to the requirements listed above, shareholders shall provide notice of attendance to:

Telefonaktiebolaget LM Ericsson
Corporate Legal Affairs
SE-126 25 Stockholm, Sweden
Tel: +46 8 719 3444 or +46 8 719 4498
(between 10 a.m. and 4 p.m. daily),
fax: +46 8 719 9527
or e-mail: bolagsstaemma@lme.ericsson.se
not later than 4 p.m. Thursday, March 22, 2001.

Proxy

In order to attend and vote as proxy on behalf of a shareholder at the Meeting, a power of attorney must be presented to the Company, preferably at the above address not later than March 27, 2001.

Dividend and Dividend Payment

A resolution adopted by shareholders at the Annual General Meeting will specify the date on which the share register and related list of pledge holders will be reconciled as the record day. The Board of Directors and President have proposed April 2, 2001 as the record date. If the proposal is approved, dividends are expected to be paid by VPC AB to all registered shareholders on April 5, 2001.

Change of Address

Shareholders who have changed their name, mailing address or account number should notify their trustees as soon as possible, or VPC AB, Box 7822, SE-103 97 Stockholm, Sweden.

Financial information from Ericsson

Interim report Jan.–March	April 20, 2001
Interim report Jan.–June	July 20, 2001
Interim report Jan.–Sept.	October 26, 2001
Interim report Jan.–Dec. Full year report.	January 2002
Annual report 2001	March 2002

Annual Reports and Interim reports can be ordered on the Internet: www.ericsson.com/investors, or by contacting:

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SE-126 25 Stockholm, Sweden
Telephone: +46 8 719 0000

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1, St James's Square
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Telephone: +44 20 7451 5000

Ericsson Inc.
100 Park Avenue, 27th floor
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Telephone: +1 212 685 4030

Information about Ericsson is available on the Internet: www.ericsson.com

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