

LETTER FROM THE CHAIRMAN

DEAR SHAREHOLDER,

As we head into 2010 and a new decade, we should consider the phenomenal transformation of the telecoms industry over the past decade, including the convergence of the telecom, IT and media industries. Through this and the explosive development in fixed and mobile internet usage, mobile communications has had a remarkable growth, with the number of subscribers increasing from 700 million in 2000 to more than 4.5 billion in 2009. Significant consolidation has occurred among operators as well as equipment suppliers.

I would like to express my sincere thanks to Carl-Henric Svanberg for his outstanding helmsmanship during his time with the Company. Ericsson's key to success during these years has been Carl-Henric Svanberg's willingness to seek opportunity through change and proactively address challenges.

The Board's work in 2009 had a significant focus on strategic matters. Ericsson's strategy to leverage its leading position and technological prowess to invest in future growth areas remains unchanged.

The key future opportunity for the industry and Ericsson will be the increased traffic generated by mobile broadband, driven by internet and social media, and a shift from connecting places and people to connecting devices and applications. Systems integration skills and application enablers will play an increasingly important role in this market development. The Company intends to build a strong position in these areas to complement the current leadership in network technologies and operations.

Operator and consumer sensitivity to the macro-economy is an important factor closely monitored by the Board. During 2009, Ericsson was affected in the second half by the economic downturn as many operators reduced their network investments. This was largely offset by good sales in the first half and by increasing sales of services and multimedia solutions. The Board also addressed the Company's restructuring program, the Nortel acquisition, and the expanded presence in Silicon Valley to support acceleration of the move to all-IP technology. Through key contract wins and the acquisition of parts of Nortel, Ericsson became the largest supplier of network technology and services in North America.

Ericsson's joint ventures Sony Ericsson and ST-Ericsson were strongly affected by the market decline, and forceful actions have been taken to restore their profitability.

That said, I believe Ericsson remains well positioned in relation to its peers, with sustained revenues and margins and in certain areas increased market shares, a healthy balance



sheet and a strong cash position. This enables the Company to pursue emerging opportunities created by the market situation.

The debate around executive compensation has intensified. Benchmarking with global companies similar to Ericsson shows that we have a conservative but competitive compensation structure that rewards performance and effectively aligns employees' longer-term interests with those of shareholders'.

I am confident that these principles remain appropriate and reasonable.

Looking to the future, I welcome Hans Vestberg as our new CEO and wish him all the best in his new role. The Board and I are convinced that Hans has the qualities it takes to lead Ericsson, and we give him and his new team our full support.

Change and challenge seem to be the by-words for the world today. If embracing change and proactively addressing challenges brings rewards, then the coming years certainly look exciting for Ericsson.

I sincerely appreciate your support during the year.

A handwritten signature in black ink that reads "Michael Treschow". The signature is fluid and cursive, written in a professional style.

Michael Treschow
Chairman of the Board