

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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## P1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Parent Company, Telefonaktiebolaget LM Ericsson, have been prepared in accordance with RFR 2.2 "Reporting in separate financial statements". RFR 2.2 requires the Parent Company to use the same accounting principles as for the Group, i.e. IFRS to the extent allowed by RFR 2.2.

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

### Subsidiaries, associated companies and joint ventures

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

Contributions to/from subsidiaries and shareholders' contributions are accounted for according to UFR 2 issued by the Swedish Financial Reporting Board. Contributions to/from Swedish subsidiaries are reported directly in equity, net of taxes, as these transactions are aimed at reducing Swedish taxes. Shareholders' contributions increase the Parent Company's investments.

### Classification and measurement of financial instruments

IAS 39 Financial Instruments: Recognition and Measurement is adopted, except regarding financial guarantees where the exception allowed in RFR 2.2 is chosen. Financial guarantees are included in Contingent liabilities.

### Leasing

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

### Deferred taxes

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

### Pensions

Pensions are accounted for in accordance with the recommendation FAR SRS RedR 4 "Accounting for pension liability and pension cost" from the Institute for the Accountancy Profession in Sweden. According to RFR 2.2, IAS 19 shall be adopted regarding supplementary disclosures when applicable.

### Segment information

Segment information is reported according to requirements in the Swedish Annual Accounts Act regarding net sales for business segments and geographical areas.

### Borrowing costs

All borrowing costs in relation to qualifying assets are expensed as incurred.

## Critical accounting estimates and judgments

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

## P2 SEGMENT INFORMATION

NET SALES			
	2009	2008	2007
Western Europe <sup>1) 2)</sup>	-13	1,603	1,478
Central and Eastern Europe, Middle East & Africa	-	-	33
Asia Pacific	167	1,254	1,383
North America	99	2,192	304
Latin America	47	37	38
<b>Total</b>	<b>300</b>	<b>5,086</b>	<b>3,236</b>
<sup>1) Of which Sweden</sup>	-56	1,506	1,336
<sup>2) Of which EU</sup>	-13	1,603	1,478

Parent Company net sales in 2009 relate to business segment Networks with 70 percent and with 30 percent to business segment Multimedia. (Parent Company net sales in 2008 and 2007 in Sweden were mainly related to business segment Multimedia and the remaining part of net sales were related to business segment Networks).

## P3 OTHER OPERATING INCOME AND EXPENSES

	2009	2008	2007
License revenues and other operating revenues			
Subsidiary companies	2,433	2,407	2,058
Other	532	659	667
Net gains/losses (-) on sales of tangible assets	12	-1	-2
<b>Total</b>	<b>2,977</b>	<b>3,065</b>	<b>2,723</b>

## P4 FINANCIAL INCOME AND EXPENSES

	2009	2008	2007
<b>Financial Income</b>			
Result from participations in subsidiary companies			
Dividends	5,732	14,465	4,308
Net gains on sales	1,087	676	2,345
Result from participations in joint ventures and associated companies			
Dividends	66	3,854	4,216
Net gains on sales	1	-	20
Result from other securities and receivables accounted for as fixed assets			
Net gains on sales	-	807	-
Other interest income and similar profit/loss items			
Subsidiary companies	386	1,233	1,641
Other	2,086	3,096	1,217
<b>Total</b>	<b>9,358</b>	<b>24,131</b>	<b>13,747</b>
<b>Financial Expenses</b>			
Losses on sales of participations in subsidiary companies	-27	-	-213
Write-down of investments in subsidiary companies	-551	-7,027	-1,061
Write-down of participations in other companies	-1	-	-
Interest expenses and similar profit/loss items			
Subsidiary companies	-150	-1,068	-995
Other	-630	-1,655	-918
Other financial expenses	-37	-41	-75
<b>Total</b>	<b>-1,396</b>	<b>-9,791</b>	<b>-3,262</b>
<b>Financial net</b>	<b>7,962</b>	<b>14,340</b>	<b>10,485</b>
Interest expenses on pension liabilities are included in the interest expenses shown above.			

## P5 TAXES

### Income taxes recognized in the income statement

The following items are included in Taxes:

	2009	2008	2007
Current income tax on contributions, net	-610	-1,155	-1,194
Other current income taxes for the year	-250	-250	-259
Current income taxes related to prior years	-47	-21	-49
Deferred tax income/expense (-)	103	-307	187
<b>Taxes</b>	<b>-804</b>	<b>-1,733</b>	<b>-1,315</b>

RECONCILIATION OF ACTUAL INCOME TAX RATE TO THE SWEDISH INCOME TAX RATE	2009	2008	2007
Tax rate in Sweden	-26.3%	-28.0%	-28.0%
Current income taxes related to prior years	-0.2%	-0.1%	-0.3%
Tax effect of non-deductible expenses	-0.9%	-0.3%	-0.8%
Tax effect of non-taxable income	20.1%	29.7%	22.0%
Tax effect related to write-downs of investments in subsidiary companies	-1.6%	-10.3%	-2.0%
Tax effect of change in deferred tax rate	-	-0.1%	-
<b>Actual tax rate</b>	<b>-8.9%</b>	<b>-9.1%</b>	<b>-9.1%</b>

Deferred tax assets and liabilities have been calculated with the new tax rate from December 31, 2008.

### Deferred tax balances

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

	2009	2008
Deferred tax assets	387	68

Deferred tax assets refer mainly to costs related to customer finance and provisions for restructuring costs.

## P6 INTANGIBLE ASSETS

PATENTS, LICENSES, TRADEMARKS AND SIMILAR RIGHTS	2009	2008
<b>Accumulated acquisition costs</b>		
Opening balance	3,888	3,893
Sales/disposals	-	-5
<b>Closing balance</b>	<b>3,888</b>	<b>3,888</b>
<b>Accumulated amortization</b>		
Opening balance	-1,284	-904
Amortization	-385	-385
Sales/disposals	-	5
<b>Closing balance</b>	<b>-1,669</b>	<b>-1,284</b>
<b>Net carrying value</b>	<b>2,219</b>	<b>2,604</b>

The balances relate mainly to Marconi and Redback trademarks acquired during 2006 and 2007. The useful life and amortization period for these trademarks has been set to 10 years.

## P7 TANGIBLE ASSETS

	Land and buildings	Other equipment and installations	Construction in process and advance payments	Total
<b>2009</b>				
<b>Accumulated acquisition costs</b>				
Opening balance	13	1,113	140	1266
Additions	-	22	100	122
Sales/disposals	-	-258	-	-258
Reclassifications	-	173	-173	-
<b>Closing balance</b>	<b>13</b>	<b>1,050</b>	<b>67</b>	<b>1,130</b>
<b>Accumulated depreciation</b>				
Opening balance	-	-571	-	-571
Depreciation	-	-193	-	-193
Sales/disposals	-	161	-	161
<b>Closing balance</b>	<b>-</b>	<b>-603</b>	<b>-</b>	<b>-603</b>
<b>Net carrying value</b>	<b>13</b>	<b>447</b>	<b>67</b>	<b>527</b>
<b>2008</b>				
<b>Accumulated acquisition costs</b>				
Opening balance	13	711	173	897
Additions	-	77	311	388
Sales/disposals	-	-19	-	-19
Reclassifications	-	344	-344	-
<b>Closing balance</b>	<b>13</b>	<b>1,113</b>	<b>140</b>	<b>1,266</b>
<b>Accumulated depreciation</b>				
Opening balance	-	-454	-	-454
Depreciation	-	-127	-	-127
Sales/disposals	-	10	-	10
<b>Closing balance</b>	<b>-</b>	<b>-571</b>	<b>-</b>	<b>-571</b>
<b>Net carrying value</b>	<b>13</b>	<b>542</b>	<b>140</b>	<b>695</b>

## P8 FINANCIAL ASSETS

INVESTMENTS IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATED COMPANIES							
	Subsidiary companies		Joint ventures		Associated companies		
	2009	2008	2009	2008	2009	2008	
Opening balance	74,571	81,406	4,136	4,136	330	330	
Acquisitions and stock issues	1,480	176	8,384	-	-	-	
Shareholders' contribution	508	141	209	-	-	-	
Write-downs	-551	-7,027	-	-	-	-	
Disposals	-461	-125	-	-	-	-	
Reclassification	-7	-	7	-	-	-	
<b>Closing balance</b>	<b>75,540</b>	<b>74,571</b>	<b>12,736</b>	<b>4,136</b>	<b>330</b>	<b>330</b>	

  

OTHER FINANCIAL ASSETS								
	Other investments in shares and participations		Receivables from subsidiaries, non-current		Customer finance, non-current <sup>1)</sup>		Other financial assets, non-current	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Accumulated acquisition costs</b>								
Opening balance	19	484	15,781	18,433	974	800	3,030	358
Additions	-	1	-	271	363	620	178	2,716
Disposals/repayments/deductions	-	-466	-1	-3,243	-84	-502	-2,029	-44
Reclassifications	-	-	-5,464	-	-111	-	-	-
Translation difference	-	-	-	320	-49	56	-	-
<b>Closing balance</b>	<b>19</b>	<b>19</b>	<b>10,316</b>	<b>15,781</b>	<b>1 093</b>	<b>974</b>	<b>1,179</b>	<b>3,030</b>
<b>Accumulated write-downs/allowances</b>								
Opening balance	-8	-9	-	-	-64	-49	-	-
Write-downs/allowances	-1	-	-	-	-208	-34	-	-
Disposals/repayments/deductions	-	1	-	-	22	24	-	-
Translation difference	-	-	-	-	3	-5	-	-
<b>Closing balance</b>	<b>-9</b>	<b>-8</b>	<b>-</b>	<b>-</b>	<b>-247</b>	<b>-64</b>	<b>-</b>	<b>-</b>
<b>Net carrying value</b>	<b>10</b>	<b>11</b>	<b>10,316</b>	<b>15,781</b>	<b>846</b>	<b>910</b>	<b>1,179</b>	<b>3,030</b>

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

## P9 INVESTMENTS

The following listing shows certain shareholdings owned directly and indirectly by the Parent Company as of December 31, 2009. A complete listing of shareholdings, prepared in accordance with the Swedish Annual

Accounts Act and filed with the Swedish Companies Registration Office (Bolagsverket), may be obtained upon request to: Telefonaktiebolaget LM Ericsson, External Reporting, SE-164 83 Stockholm, Sweden.

SHARES OWNED DIRECTLY BY THE PARENT COMPANY						
Type	Company	Reg. No.	Domicile	Percentage of ownership	Par value in local currency, million	Carrying value, SEK million
<b>Subsidiary companies</b>						
I	Ericsson AB	556056-6258	Sweden	100	50	20,731
I	Ericsson Shared Services AB	556251-3266	Sweden	100	361	2,216
I	Netwise AB	556404-4286	Sweden	100	2	306
II	AB Aulis	556030-9899	Sweden	100	14	6
III	Ericsson Credit AB	556326-0552	Sweden	100	5	5
	Other (Sweden)			–	–	2,058
I	Ericsson Austria GmbH		Austria	100	4	115
I	Ericsson Danmark A/S		Denmark	100	90	216
I	Oy LM Ericsson Ab		Finland	100	13	196
II	Ericsson Participations France SAS		France	100	26	524
I	Ericsson GmbH		Germany	100	20	4,227
I	Ericsson Hungary Ltd.		Hungary	100	1,301	120
II	LM Ericsson Holdings Ltd.		Ireland	100	2	15
I	Ericsson Telecomunicazioni S.p.A.		Italy	53 <sup>1)</sup>	23	3,151
II	Ericsson Holding International B.V.		The Netherlands	100	222	3,200
I	Ericsson A/S		Norway	100	75	114
II	TANDBERG Television ASA		Norway	100	161	1,788
I	Ericsson Corporatia AO		Russia	100	5	5
I	Ericsson AG		Switzerland	100	–	–
II	Ericsson Holding Ltd.		United Kingdom	100	328	4,094
	Other (Europe, excluding Sweden)			–	–	428
II	Ericsson Holding II Inc.		United States	100	2,817	29,006
I	Cia Ericsson S.A.C.I.		Argentina	95 <sup>2)</sup>	60	260
I	Ericsson Telecom S.A. de C.V.		Mexico	100	n/a	1,550
	Other (United States, Latin America)			–	–	61
II	Teleric Pty Ltd.		Australia	100	20	100
I	Ericsson Ltd.		China	100	2	2
I	Ericsson (China) Company Ltd.		China	100	65	475
I	Ericsson India Private Ltd.		India	100	725	147
I	Ericsson (Malaysia) Sdn. Bhd.		Malaysia	70	2	4
I	Ericsson Telecommunications Pte. Ltd.		Singapore	100	2	1
I	Ericsson Taiwan Ltd.		Taiwan	80	240	20
I	Ericsson (Thailand) Ltd.		Thailand	49 <sup>3)</sup>	90	17
	Other countries (the rest of the world)			–	–	382
<b>Total</b>					<b>–</b>	<b>75,540</b>
<b>Joint ventures and associated companies</b>						
I	Sony Ericsson Mobile Communications AB	556615-6658	Sweden	50	50	4,136
II	ST-Ericsson Holdings AG		Switzerland	50	436	8,325
III	ST-Ericsson AT Holding AG		Switzerland	50	5	275
I	Ericsson Nikola Tesla d.d.		Croatia	49	65	330
<b>Total</b>					<b>–</b>	<b>13,066</b>

SHARES OWNED BY SUBSIDIARY COMPANIES				
Type	Company	Reg. No.	Domicile	Percentage of ownership
<b>Subsidiary companies</b>				
II	Ericsson Cables Holding AB	556044-9489	Sweden	100
I	Ericsson France SAS		France	100
I	LHS Telekommunikation GmbH & Co. KG		Germany	100
I	LM Ericsson Ltd.		Ireland	100
II	Ericsson Nederland B.V.		The Netherlands	100
I	Ericsson Telecommunicatie B.V.		The Netherlands	100
I	Ericsson España S.A.		Spain	100
I	Ericsson Telekomunikasyon A.S.		Turkey	100
I	Ericsson Ltd.		United Kingdom	100
I	Ericsson Canada Inc.		Canada	100
I	Ericsson Inc.		United States	100
I	Ericsson IP Infrastructure Inc.		United States	100
I	Ericsson Amplified Technologies Inc.		United States	100
I	Ericsson Services Inc.		United States	100
I	Druett Corporation Inc.		United States	100
I	Redback Networks Inc.		United States	100
I	Ericsson Telecomunicações S.A.		Brazil	100
I	Ericsson Australia Pty. Ltd.		Australia	100
I	Ericsson (China) Communications Co. Ltd.		China	100
I	Nanjing Ericsson Panda Communication Co. Ltd.		China	51
I	Nippon Ericsson K.K.		Japan	100
I	Ericsson Communication Solutions Pte Ltd.		Singapore	100

#### Key to type of company

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

- <sup>1)</sup> Through subsidiary holdings, total holdings amount to 100% of Ericsson Telecomunicazioni S.p.A.
- <sup>2)</sup> Through subsidiary holdings, total holdings amount to 100% of Cia Ericsson S.A.C.I.
- <sup>3)</sup> Through subsidiary holdings, total holdings amount to 100% of Ericsson (Thailand) Ltd.

## P10 INVENTORIES

	2009	2008
Finished products and goods for resale	61	80
<b>Inventories</b>	<b>61</b>	<b>80</b>

## P11 TRADE RECEIVABLES AND CUSTOMER FINANCE

Credit risk management is governed on a Group level.

For further information, see Notes to the Consolidated Financial Statements

– Note C14, “Trade Receivables and Customer Finance” and Note C20, “Financial Risk Management and Financial Instruments”.

	2009	2008
Trade receivables excluding associated companies and joint ventures	70	576
Allowances for impairment	-37	-2
Trade receivables, net	33	574
Trade receivables related to associated companies and joint ventures	9	2
<b>Trade receivables, total</b>	<b>42</b>	<b>576</b>
Customer finance	1,829	1,838
Allowances for impairment	-393	-93
<b>Customer finance, net</b>	<b>1,436</b>	<b>1,745</b>

	Trade receivables		Customer finance	
	2009	2008	2009	2008
Opening balance	2	12	94	64
Additions	38	-	355	53
Utilization	-	-10	-12	-3
Reversal of excess amounts	-	-	-20	-29
Translation difference	-3	-	-24	9
<b>Closing balance</b>	<b>37</b>	<b>2</b>	<b>393</b>	<b>94</b>

### AGING ANALYSIS AS PER DECEMBER 31, 2009

	Amount	Of which neither impaired nor past due	Of which impaired not past due	Of which past due in the following time intervals		Of which past due and impaired in the following time intervals	
				less than 90 days	90 days or more	less than 90 days	90 days or more
Trade receivables excluding associated companies and joint ventures	70	12	-	18	3	1	36
Allowances for impairment of receivables	-37	-	-	-	-	-1	-36
Trade receivables related to associated companies and joint ventures	9	5	-	4	-	-	-
Customer finance	1,829	709	1,043	1	-	20	56
Allowances for impairment of customer finance	-393	-	-317	-	-	-20	-56

### AGING ANALYSIS AS PER DECEMBER 31, 2008

	Amount	Of which neither impaired nor past due	Of which impaired not past due	Of which past due in the following time intervals		Of which past due and impaired in the following time intervals	
				less than 90 days	90 days or more	less than 90 days	90 days or more
Trade receivables excluding associated companies and joint ventures	576	535	-	35	4	2	-
Allowances for impairment of receivables	-2	-	-	-	-	-2	-
Trade receivables related to associated companies and joint ventures	2	2	-	-	-	-	-
Customer finance	1,838	1,577	230	5	-	2	24
Allowances for impairment of customer finance	-93	-	-67	-	-	-2	-24

### OUTSTANDING CUSTOMER FINANCE

	2009	2008
On-balance sheet customer finance	1,829	1,838
Off-balance sheet customer finance	135	168
<b>Total customer finance</b>	<b>1,964</b>	<b>2,006</b>
Accrued interest	18	24
Less third-party risk coverage	-382	-148
<b>Parent Company's risk exposure</b>	<b>1,600</b>	<b>1,882</b>
On-balance sheet credits, net carrying value	1,436	1,745
<i>Of which short term</i>	590	835
Credit commitments for customer finance	762	956

During 2009 the Parent Company transferred certain customer finance assets to third parties, and continues to recognize a part of such assets corresponding to the extent of its continuing involvement. The total carrying amount of the original assets transferred is SEK 560 million, the amount of the assets that the Parent Company continues to recognize is SEK 28 million, and the carrying amount of the associated liabilities is SEK 28 million.



## P12 RECEIVABLES AND LIABILITIES – SUBSIDIARY COMPANIES

	Payment due by period				Total 2008
	Total 2009	< 1 year	1–5 years	>5 years	
<b>Non-current receivables <sup>1)</sup></b>					
Financial receivables	10,316	–	–	10,316	15,781
<b>Current receivables</b>					
Trade receivables	2,358	2,358	–	–	1,008
Financial receivables	17,677	17,677	–	–	23,668
<b>Total</b>	<b>20,035</b>	<b>20,035</b>	<b>–</b>	<b>–</b>	<b>24,676</b>
<b>Non-current liabilities <sup>1)</sup></b>					
Financial liabilities	28,966	–	–	28,966	27,866
<b>Current liabilities</b>					
Trade payables	560	560	–	–	541
Financial liabilities	38,575	38,575	–	–	34,725
<b>Total</b>	<b>39,135</b>	<b>39,135</b>	<b>–</b>	<b>–</b>	<b>35,266</b>

<sup>1)</sup> Including non interest-bearing receivables and liabilities, net, amounting to SEK –18,650 million (SEK –15,866 million in 2008). Interest-free transactions involving current receivables and liabilities may also arise at times.

## P13 OTHER CURRENT RECEIVABLES

	2009	2008
Receivables from associated companies and joint ventures	88	669
Prepaid expenses	430	666
Accrued revenues	125	535
Derivatives with a positive value	1,762	2,498
Other	272	318
<b>Total</b>	<b>2,677</b>	<b>4,686</b>

## P14 STOCKHOLDERS' EQUITY

### Capital stock 2009

Capital stock at December 31, 2009, consisted of the following:

	Number of shares	Capital stock
Class A shares <sup>1)</sup>	261,755,983	1,309
Class B shares <sup>1)</sup>	3,011,595,752	15,058
<b>Total</b>	<b>3,273,351,735</b>	<b>16,367</b>

<sup>1)</sup> Class A-shares (quotient value SEK 5.00) and Class B-shares (quotient value SEK 5.00).

## CHANGES IN STOCKHOLDERS' EQUITY

	Capital stock	Revalua- tion reserve	Statutory reserve	Total restricted equity	Disposi- tion reserve	Fair value reserves	Other retained earnings	Non- restricted equity	Total
<b>2009</b>									
January 1, 2009	16,232	20	31,472	47,724	100	569	41,285	41,954	89,678
<b>Cash flow hedges</b>									
Gains arising during the period	–	–	–	–	–	612	–	612	612
Amounts transferred to initial carrying amount of hedged items	–	–	–	–	–	–1,385	–	–1,385	–1,385
Tax on cash flow items reported directly in/or transferred from equity	–	–	–	–	–	204	–	204	204
Stock issue	135	–	–	135	–	–	–	–	135
Sale of own shares	–	–	–	–	–	–	75	75	75
Stock purchase and Stock option plans	–	–	–	–	–	–	139	139	139
Repurchase of own shares	–	–	–	–	–	–	–135	–135	–135
Contributions from/to (–) subsidiary companies	–	–	–	–	–	–	–2,403	–2,403	–2,403
Tax on contributions	–	–	–	–	–	–	610	610	610
Dividends paid	–	–	–	–	–	–	–5,897	–5,897	–5,897
Net income 2009	–	–	–	–	–	–	8,179	8,179	8,179
<b>December 31, 2009</b>	<b>16,367</b>	<b>20</b>	<b>31,472</b>	<b>47,859</b>	<b>100</b>	<b>–</b>	<b>41,853</b>	<b>41,953</b>	<b>89,812</b>

CHANGES IN STOCKHOLDERS' EQUITY									
	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Fair value reserves	Other retained earnings	Non-restricted equity	Total
<b>2008</b>									
January 1, 2008	16,132	20	31,472	47,624	100	4	35,121	35,225	82,849
<b>Revaluation of other investments in shares</b>									
Transferred to income statement at sale	-	-	-	-	-	-6	-	-6	-6
<b>Cash flow hedges</b>									
Gains arising during the period	-	-	-	-	-	773	-	773	773
Tax on cash flow items reported directly in/or transferred from equity	-	-	-	-	-	-202	-	-202	-202
Stock issue	100	-	-	100	-	-	-	-	100
Sale of own shares	-	-	-	-	-	-	88	88	88
Stock purchase and Stock option plans	-	-	-	-	-	-	36	36	36
Repurchase of own shares	-	-	-	-	-	-	-100	-100	-100
Contributions from/to (-) subsidiary companies	-	-	-	-	-	-	-4,288	-4,288	-4,288
Tax on contributions	-	-	-	-	-	-	1,155	1,155	1,155
Dividends paid	-	-	-	-	-	-	-7,954	-7,954	-7,954
Net income 2008	-	-	-	-	-	-	17,227	17,227	17,227
<b>December 31, 2008</b>	<b>16,232</b>	<b>20</b>	<b>31,472</b>	<b>47,724</b>	<b>100</b>	<b>569</b>	<b>41,285</b>	<b>41,954</b>	<b>89,678</b>

## P15 UNTAXED RESERVES

2009	Jan 1	Additions/ withdrawals (-)	Dec 31
<b>Accumulated depreciation in excess of plan</b>			
Intangible assets	1,260	-385	875
Tangible assets	72	-32	40
<b>Total accumulated depreciation in excess of plan</b>	<b>1,332</b>	<b>-417</b>	<b>915</b>
<b>Other untaxed reserves</b>			
Reserve for doubtful receivables	485	-485	-
<b>Total other untaxed reserves</b>	<b>485</b>	<b>-485</b>	<b>-</b>
<b>Total untaxed reserves</b>	<b>1,817</b>	<b>-902</b>	<b>915</b>

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

Changes in other untaxed reserves related to additions to reserve for doubtful receivables, SEK 227 million in 2008. Deferred tax liability on untaxed reserves, not accounted for in deferred taxes, amounts to SEK 241 million (SEK 478 million in 2008).

## P16 PENSIONS

The Parent Company has two types of pension plans:

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

DEFINED BENEFIT OBLIGATION- AMOUNT RECOGNIZED IN THE BALANCE SHEET		
	2009	2008
Present value of wholly or partially funded pension plans <sup>1)</sup>	582	551
Fair value of plan assets	-640	-530
Unfunded/net surplus(-) of funded pension plans	-58	21
Present value of unfunded pension plans	372	382
Excess from plan assets not accounted for	58	-
<b>Closing balance provision for pensions</b>	<b>372</b>	<b>403</b>

<sup>1)</sup> This FPG/PRI obligation is covered by the Swedish law on safeguarding of pension commitments.

The defined benefit obligations are calculated based on the actual salary levels at year-end and based on a discount rate of 4.0 percent. Weighted average life expectancy after the age of 65 is 24 years for women and 21 years for men.

In 2005, SEK 524 million was transferred into the Swedish pension trust and in 2009 an additional transfer of SEK 23 million was made.

The Parent Company utilizes no assets held by the pension trust. Return on plan assets for 2009 is 16.5 percent (-13.8) percent.

PLAN ASSETS ALLOCATION	2009	2008
Equities	224	167
Interest-bearing securities	416	363
	640	530
<i>Of which Ericsson securities</i>	–	–

CHANGE IN THE DEFINED BENEFIT OBLIGATION	2009	2008
Opening balance	403	402
Payment to pension trust	–23	–
Pension costs, excluding taxes, related to defined benefit obligations accounted for in the income statement	63	67
Pension payments	–42	–48
Return on plan assets for the year	–87	85
Return on plan assets not accounted for	58	–
Previous excess from plan assets reclassified	–	–103
Closing balance provision for pensions	372	403

Estimated pension payments for 2010 are SEK 50 million.

TOTAL PENSION COST AND INCOME RECOGNIZED IN THE INCOME STATEMENT	2009	2008
<b>Defined benefit obligations</b>		
Costs excluding interest and taxes	28	24
Interest cost	35	43
Credit insurance premium	2	–5
Total cost defined benefit plans excluding taxes	65	62
<b>Defined contribution plans</b>		
Pension insurance premium	107	86
Total cost defined contribution plans excluding taxes	107	86
Return on plan assets	–29	85
<b>Total pension cost, net excluding taxes</b>	<b>143</b>	<b>233</b>

Of the total pension cost SEK 137 million (SEK 105 million in 2008) is included in operating expenses and SEK 6 million (SEK 128 million in 2008) in the financial net.

## P17 OTHER PROVISIONS

	Warranty commitments	Restructuring	Customer finance	Other	Total other provisions <sup>1)</sup>
<b>2009</b>					
Opening balance	1	109	162	384	656
Additions	–	297	–	295	592
Reversal of excess amounts	–	–7	–16	–303	–326
Utilization/Cash out	–1	–50	–51	–123	–225
Reclassification	–	–	–	–	–
Closing balance	–	349	95	253	697
<b>2008</b>					
Opening balance	1	114	177	363	655
Additions	–	47	21	181	249
Reversal of excess amounts	–	–9	–	–112	–121
Utilization/Cash out	–	–31	–36	–60	–127
Reclassification	–	–12	–	12	–
Closing balance	1	109	162	384	656

<sup>1)</sup> Of which SEK 230 million (SEK 150 million in 2008) are expected to be utilized within one year.

## P18 INTEREST-BEARING LIABILITIES

As per December 31, 2009, the Parent Company's outstanding interest-bearing liabilities, excluding liabilities to subsidiaries, were SEK 27.8 billion.

INTEREST-BEARING LIABILITIES		
	2009	2008
<b>Borrowings, current</b>		
Current maturities of long-term borrowings	-	3,732
<b>Total current borrowings</b>	-	3,732
<b>Borrowings, non-current</b>		
Notes and bond loans	23,801	18,941
Liabilities to credit institutions	4,000	4,000
<b>Total non-current interest-bearing liabilities</b>	27,801	22,941
<b>Total interest-bearing liabilities</b>	27,801	26,673

NOTES AND BOND LOANS						
Issued-maturing	Nominal amount	Coupon	Currency	Book value (SEK million)	Maturity date (yy-mm-dd)	Unrealized hedge gain/loss (incl. in book value)
2004-2012	450	1.275%	SEK	450	12-12-07 <sup>2)</sup>	
2007-2012	1,000	5.100%	SEK	1,058 <sup>1)</sup>	12-06-29	-59
2007-2012	2,000	0.730%	SEK	2,000	12-06-29 <sup>3)</sup>	
2007-2014	375	1.006%	EUR	3,863	14-06-27 <sup>4)</sup>	
2007-2017	500	5.380%	EUR	5,714 <sup>1)</sup>	17-06-27	-591
2009-2013	600	5.000%	EUR	6,229 <sup>1)</sup>	13-06-24	-81
2009-2016	625	3,29875%	USD	4,487	16-06-23 <sup>5)</sup>	
<b>Total</b>				<b>23,801</b>		<b>-731</b>

<sup>1)</sup> Interest rate swaps are designated as fair value hedges.  
<sup>2)</sup> Next contractual repricing date 2010-06-03 (semi annual).  
<sup>3)</sup> Next contractual repricing date 2010-03-25 (quarterly).  
<sup>4)</sup> Next contractual repricing date 2010-03-25 (quarterly).  
<sup>5)</sup> Next contractual repricing date 2010-03-19 (quarterly).

All outstanding notes and bond loans are issued under the Euro Medium-Term Note (EMTN) program. Bonds issued at a fixed interest rate are swapped to a floating interest rate using interest rate swaps, resulting in a weighted average interest rate of 2.88 percent at December 31, 2009. These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

On May 20, 2009, the USD bond issued in 1999 of 483 million matured and was repaid.

On June 22, 2009, a new EUR fixed rate bond was issued under the EMTN program. The nominal amount of the issue was 600 million EUR and the maturity date 24 June 2013. The yearly coupon of the bond is 5 percent.

On June 23, 2009, Ericsson signed a seven year floating rate loan of USD 625 million with Svensk Exportkredit. This loan is issued under the EMTN program.

On November 30, 2009, Ericsson called the EUR bond issued in 2003 of EUR 471 million with maturity date 28 November 2010 at par.

In 2008 Ericsson signed a seven year loan of SEK 4.0 billion with the European Investment Bank. The loan supports Ericsson's R&D activities to develop the next generation of mobile broadband technology at sites in Kista, Gothenburg and Linköping in Sweden.

# P19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

## Financial risk management

Ericsson's financial risk management is governed on a Group level. For further information see Notes to the Consolidated Financial Statements – Note C20, "Financial Risk Management and Financial Instruments".

OUTSTANDING DERIVATIVES				
Fair value	2009		2008	
	Asset	Liability	Asset	Liability
<b>Currency derivatives</b>				
Maturity within 3 months	606	531	2,562	2,742
Maturity between 3 and 12 months	1,039	817	4,887	4,054
Maturity 1 to 3 years	134	44	167	700
Maturity 3 to 5 years	84	–	–	–
Maturity more than 5 years	3	–	–	–
<b>Total currency derivatives</b>	<b>1,866</b> <sup>1) 3)</sup>	<b>1,392</b> <sup>2)</sup>	<b>7,616</b> <sup>3)</sup>	<b>7,496</b>
<i>of which designated in cash flow hedge relations</i>	–	–	–	10
<b>Interest rate derivatives</b>				
Maturity within 3 months	–	–	–	–
Maturity between 3 and 12 months	28	40	315	121
Maturity 1 to 3 years	49	151	129	25
Maturity 3 to 5 years	175	40	105	–
Maturity more than 5 years	685	58	711	53
<b>Total interest rate derivatives</b>	<b>937</b> <sup>3)</sup>	<b>289</b>	<b>1,260</b> <sup>3)</sup>	<b>199</b>
<i>of which designated in fair value hedge relations</i>	845	–	1,152	–

<sup>1)</sup> Of which internal counterparts 200.

<sup>2)</sup> Of which internal counterparts 538.

<sup>3)</sup> Of which 843 million is reported as non-current assets for 2009 and 2,814 million for 2008.

SEK billion	Remaining time to maturity				2009	2008
	< 3 months	< 1 year	1–5 years	> 5 years		
Bank deposits	6.9	–	–	–	6.9	14.5
<b>Type of issuer/counterpart</b>						
Governments	7.4	2.6	19.5	7.4	36.9	23.9
Banks	3.1	–	–	–	3.1	6.2
Corporations	0.2	–	–	–	0.2	1.6
Mortgage institutes	–	–	14.9	0.4	15.3	13.0
<b>Total</b>	<b>17.6</b>	<b>2.6</b>	<b>34.4</b>	<b>7.8</b>	<b>62.4</b>	<b>59.2</b>

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

During 2009, cash, cash equivalents and short-term investments increased by SEK 3.2 billion to SEK 62.4 billion.

Nominal amount SEK billion	Current		Total
	maturities of long-term debt	Borrowings (non-current)	
2010	–	–	–
2011	–	–	–
2012	–	3.5	3.5
2013	–	6.2	6.2
2014	–	3.9	3.9
2015 and later	–	13.7	13.7
<b>Total</b>	<b>–</b>	<b>27.3</b>	<b>27.3</b>

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

FUNDING PROGRAMS	Amount	Utilized	Unused
Euro Medium-Term Note program (USD million)	5,000	3,158	1,842
Euro Commercial Paper program (USD million)	1,500	–	1,500
Swedish Commercial Paper program (SEK million)	5,000	–	5,000
Long-Term Committed Credit facility (USD million)	2,000	–	2,000
European Investment Bank (SEK million)	4,000	4,000	–

At year-end Ericsson's credit rating remained at Baa1 (Baa1) by Moody's and BBB+ (BBB+) by Standard & Poor's, both considered to be "Solid Investment Grade".

## Financial instruments carried at other than fair value

In the following tables, carrying amounts and fair values of financial instruments that are carried in the financial statements at other than fair values are presented. Assets valued at fair value through profit and loss

had a net gain of SEK 1.8 billion. For further information about valuation principles, see Notes to the Consolidated Financial Statements – Note C1, “Significant Accounting Policies”.

FINANCIAL INSTRUMENTS CARRYING AMOUNT										
SEK billion	Trade receivables P11	Short-term investments	Receivables and liabilities subsidiaries P12	Borrowings P18	Trade payables P21	Financial assets P8	Other current receivables P13	Other current liabilities P20	2009	2008
Assets at fair value through profit or loss		55.5	-0.3			0.8	1.8	-1.1	56.7	45.9
Loans and receivables	1.5		30.2				0.1		31.8	39.9
Available for sale assets									-	-
Financial liabilities at amortized cost			-67.6	-27.8	-0.3				-95.7	-90.0
<b>Total</b>	<b>1.5</b>	<b>55.5</b>	<b>-37.8</b>	<b>-27.8</b>	<b>-0.3</b>	<b>0.8</b>	<b>1.9</b>	<b>-1.1</b>	<b>-9.7</b>	<b>-4.2</b>

FINANCIAL INSTRUMENTS CARRIED AT OTHER THAN FAIR VALUE				
SEK billion	Carrying amount		Fair value	
	2009	2008	2009	2008
Current maturities of long-term borrowings	-	3.7	-	3.9
Borrowings non-current	27.8	23.0	26.0	19.0
	27.8	26.7	26.0	22.9

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

## P20 OTHER CURRENT LIABILITIES

	2009	2008
Accrued interest	341	411
Accrued expenses, of which		
employee related	283	266
other	44	45
Deferred revenues	23	1,252
Derivatives with a negative value	1,143	7,268
Other current liabilities	147	161
<b>Total</b>	<b>1,981</b>	<b>9,403</b>

## P21 TRADE PAYABLES

	2009	2008
Trade payables excluding associated companies and joint ventures	335	605
<b>Total</b>	<b>335</b>	<b>605</b>

All trade payables fall due within 90 days.

## P22 ASSETS PLEDGED AS COLLATERAL

	2009	2008
Bank deposits	550	414
<b>Total</b>	<b>550</b>	<b>414</b>

The major item in bank deposits is the internal bank's clearing and settlement commitments of SEK 383 million (SEK 266 million in 2008).

## P23 CONTINGENT LIABILITIES

	2009	2008
<b>Total contingent liabilities</b>	<b>13,072</b>	<b>13,029</b>

Contingent liabilities include pension commitments of SEK 10,797 million (SEK 10,783 million in 2008) and guarantees for Sony Ericsson Mobile Communications AB's borrowing from financial institutions of SEK 779 million (SEK 0 million in 2008).

In accordance with standard industry practice, Ericsson enters into commercial contract guarantees related to contracts for the supply of telecommunication equipment and services. Total amount for 2009 was SEK 18,001 million (SEK 20,997 million in 2008). Potential payments due under these bonds are related to Ericsson's performance under applicable contracts.

## P24 STATEMENT OF CASH FLOWS

Interest paid in 2009 was SEK 508 million (SEK 2,376 million in 2008 and SEK 1,977 million in 2007) and interest received was SEK 2,083 million (SEK 3,520 million in 2008 and SEK 3,066 million in 2007). Income taxes paid were SEK 341 million (SEK 370 million in 2008 and SEK 559 million in 2007).

ADJUSTMENTS TO RECONCILE NET INCOME TO CASH			
	2009	2008	2007
<b>Tangible assets</b>			
Depreciation	193	127	111
<b>Total</b>	<b>193</b>	<b>127</b>	<b>111</b>
<b>Intangible assets</b>			
Amortization	385	385	389
<b>Total</b>	<b>385</b>	<b>385</b>	<b>389</b>
<b>Total depreciation and amortization on tangible and intangible assets</b>			
	<b>578</b>	<b>512</b>	<b>500</b>
Taxes	463	1,363	756
Write-downs and capital gains (-)/ losses on sale of fixed assets, excluding customer finance, net	-521	5,545	-1,088
Additions to/withdrawals from (-) untaxed reserves	-902	478	265
Unsettled dividends	-1,254	-5	-
Other non-cash items	-2,195	-2,747	-1,324
<b>Total adjustments to reconcile net income to cash</b>	<b>-3,831</b>	<b>5,146</b>	<b>-891</b>

## P25 LEASING

### Leasing with the Parent Company as lessee

At December 31, 2009, future payment obligations for leases were distributed as follows:

	Operating leases
2010	969
2011	859
2012	638
2013	412
2014	500
2015 and later	751
	<b>4,129</b>

### Leasing with the Parent Company as lessor

At December 31, 2009, future minimum payment receivables were distributed as follows:

	Operating leases
2010	20
2011	6
2012	1
2013	1
2014	1
2015 and later	2
	<b>31</b>

The operating lease income is mainly income from sublease of real estate. See Notes to the Consolidated Financial Statements – Note C27, “Leasing”.

## P26 TAX ASSESSMENT VALUES IN SWEDEN

	2009	2008
Land and land improvements	8	8
<b>Total</b>	<b>8</b>	<b>8</b>

## P27 INFORMATION REGARDING EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES						
	Men	Women	2009 Total	Men	Women	2008 Total
Western Europe <sup>1) 2)</sup>	194	147	341	181	149	330
Central and Eastern Europe, Middle East and Africa	108	15	123	3	1	4
<b>Total</b>	<b>302</b>	<b>162</b>	<b>464</b>	<b>184</b>	<b>150</b>	<b>334</b>
<sup>1)</sup> Of which Sweden	194	147	341	181	149	330
<sup>2)</sup> Of which EU	194	147	341	181	149	330

ABSENCE DUE TO ILLNESS		
Percent of working hours	2009	2008
Absence due to illness for men	0%	0%
Absence due to illness for women	2%	2%
Employees 30–49 years old	1%	1%
Employees 50 years or older	1%	1%
Long-term absence due to illness total <sup>1)</sup>	1%	0.6%

<sup>1)</sup> Defined as absence during a consecutive period of time of 60 days or more. Information Absence due to illness regards employees employed in Sweden.

### Remuneration

WAGES AND SALARIES AND SOCIAL SECURITY EXPENSES		
	2009	2008
Wages and salaries	480	353
Social security expenses	421	404
Of which pension costs	174	265

WAGES AND SALARIES PER GEOGRAPHICAL AREA		
	2009	2008
Western Europe <sup>1) 2)</sup>	380	351
Central and Eastern Europe, Middle East and Africa	100	2
<b>Total</b>	<b>480</b>	<b>353</b>
<sup>1)</sup> Of which Sweden	380	351
<sup>2)</sup> Of which EU	380	351

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

## Remuneration policy and remuneration to the Board of Directors and the President and CEO

See Notes to the Consolidated Financial Statements – Note C29, “Information Regarding Members of the Board of Directors, the Management and Employees”.

### Long-term variable remuneration

#### The Stock Purchase Plan

Compensation costs for all employees of the Parent Company amounted to SEK 9,1 million in 2009 (SEK 5.6 million in 2008).

## P28 RELATED PARTY TRANSACTIONS

During 2009, various transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm’s length basis.

### Sony Ericsson Mobile Communications AB (SEMC)

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

For the Parent Company, the major transactions are license revenues for SEMC’s usage of trademarks and patents and received dividends.

SEMC has been granted a long-term loan with a maximum amount of SEK 3,606 million. The Parent Company and Sony Corporation have issued guarantees for this loan on a 50/50 basis, without joint responsibility. As of December 31, 2009, the Parent Company’s share of the outstanding principle and accrued interest, in the total amount of SEK 779 million, has been reported as a contingent liability in the Parent Company.

	2009	2008
<b>Related party transactions</b>		
License revenues	293	2,011
Dividends	–	3,627
<b>Related party balances</b>		
Receivables	90	626

### Ericsson Nikola Tesla d.d.

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

For the Parent Company, the major transactions are license revenues for Ericsson Nikola Tesla d.d.’s usage of trademarks and received dividends.

	2009	2008
<b>Related party transactions</b>		
License revenues	7	9
Dividends	66	227
<b>Related party balances</b>		
Payables	3	–

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees toward Ericsson Nikola Tesla d.d.

### ST-Ericsson

ST-Ericsson was formed on February 2, 2009, by merging Ericsson Mobile Platforms with STMicroelectronics’s wireless business. It is an industry leader in design, development and the creation of cutting-edge mobile platforms and wireless semiconductors.

The Parent Company holds 49.99 percent of shares in ST-Ericsson Holding AG and 50.01 percent in ST-Ericsson AT Holding AG, both in Switzerland.

The Parent Company has no major transactions or balances toward ST-Ericsson in 2009.

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees toward ST-Ericsson.

### Other related parties

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

## P29 FEES TO AUDITORS

	Price-waterhouse-Coopers
<b>2009</b>	
Audit fees	33
Audit related fees	3
Tax services fees	2
<b>Total</b>	<b>38</b>
<b>2008</b>	
Audit fees	33
Audit related fees	2
Tax services fees	1
<b>Total</b>	<b>36</b>
<b>2007</b>	
Audit fees	37
Audit related fees	3
Tax services fees	–
<b>Total</b>	<b>40</b>

During the period 2007–2009, in addition to audit services, PricewaterhouseCoopers provided certain audit related services and tax services to the Parent Company. The audit related services include consultation on financial accounting and services related to acquisitions. The tax services include general tax advice.

## P30 EVENTS AFTER THE BALANCE SHEET DATE

On November 25, 2009, the Parent Company entered into an agreement to acquire certain assets relating to Nortel’s GSM business in North America for a cash purchase price of USD 70 million. This asset transaction will not directly affect the Parent Company’s balance sheet as these assets will be transferred to operating subsidiaries.

In January 2010, as per the trust’s funding requirements, the Parent Company made an employer contribution payment of SEK 31 million to the Swedish pension trust fund.