Form 20-F 2000

Annual Report Pursuant
to Section 13 or 15(d)
of the Securities Exchange
Act of 1934

ERICSSON

As filed with the Securities and Exchange Commission on June 29th, 2001.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 20-F

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2000.
Commission file numbers 0-12033
33-95944

TELEFONAKTIEBOLAGET LM ERICSSON (publ)
(Exact name of Registrant as specified in its charter)

LM ERICSSON TELEPHONE COMPANY (publ)
(Translation of Registrant's name into English)

Kingdom of Sweden
(Jurisdiction of incorporation)

Telefonplan, SE-126 25 Stockholm, Sweden
(Address of principal executive offices)

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of exchange where registered
American Depository Shares	Nasdaq National Market

Securities registered pursuant to Section 12(g) of the Act:
B shares
STIBOR ./. 1.5% Convertible Subordinated Debentures due June 30, 2003

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

B shares	7,254,116,972
A shares	656,218,640
Total no. of shares	7,910,335,612

Indicate by check mark whether the Registrant (1) has filed all reports required to filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes ✗ No

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17 ✗ Item 18

Presentation of Information

In this annual report, unless otherwise indicated (i) all financial information presented has been prepared in accordance with Swedish GAAP and (ii) net income for the years ended December 31, 2000, 1999 and 1998, and shareholders' equity as of December 31, 2000, 1999 and 1998 have been reconciled with US GAAP.

Certain amounts and percentages included in this annual report have been rounded and accordingly may not total.

Ericsson presents its financial statements in Swedish kronor (SEK). In this annual report, both amounts stated in SEK and derived from US dollars (USD) and amounts stated in USD and derived from SEK, unless otherwise indicated, have been translated at a fixed rate, solely for convenience. These translations should not be construed as a representation by Ericsson that the SEK amounts actually represent such USD dollar amounts, or vice versa, or that a conversion could be made at the rate indicated, or any other rate, or at all. Unless otherwise indicated, these USD and SEK amounts have been translated at the rate of USD $1.00 per SEK 9.4440, the noon buying rate in the City of New York as announced by the Federal Reserve Bank of New York on December 29, 2000. For information regarding recent rates of exchange between SEK and euros, see "Item 3: Selected Financial Data—Exchange Rates".

Reference in this annual report to the "Company", "Ericsson", "we", "our" or "us" mean Telefonaktiebolaget LM Ericsson (publ) and its consolidated subsidiaries.

Forward-Looking Statements

This annual report includes "forward-looking information" within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended, and includes assumptions about future market conditions, operations and results. These statements appear in a number of places and include statements regarding (i) strategies, outlook and growth prospects, (ii) positioning to deliver future plans and to realize potential for future growth, (iii) liquidity and capital resources and expenditure, (iv) growth in demand, particularly for mobile and fixed telecommunications infrastructure and terminals, (v) economic outlook, (vi) regulation and deregulation of the telecommunications market, (vii) qualitative and quantitative disclosures about market risk, (viii) competition among vendors, (ix) our restructuring plan, (x) sales volumes, (xi) research and development expenditures and (xii) trend information. Although Ericsson believes that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward looking statements as a result of:

- worldwide economic and business conditions and regulatory, legislative and judicial developments including corporation tax rates;
- business conditions of our customers;
- increased competition;
- emergence of new substitute technologies;
- changes in our business strategy or development plans;
- successful product development;
- successful implementation of business and operational initiatives, including our restructuring program;
- implementation risk, being the challenges associated with delivering capital intensive projects on time and on budget, including the need to retain and motivate staff;
- foreign exchange risk and
- business risk management.

The information contained in this annual report, including, without limitation, the information under Item 3D: "Key Information—Risk Factors", Item 4: "Information on the Company" and Item 5: "Operating and Financial Review of Prospects" identify important factors that could cause such differences. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Part I

Item 1: Identity of Directors, Senior Management and Directors

Not applicable

Item 2: Offer Statistics and Expected Timetable

Not applicable

Item 3. Key Information

Item 3A: Selected Financial Data

The following data, expressed in Swedish kronor, have been derived from the audited consolidated financial statements of the Company included in Item 17 of this Form 20-F annual report or previous Form 20-Fs. All the data presented below for the years 1998, 1999 and 2000 should be read in conjunction with, and are qualified in their entirety by reference to, the consolidated financial statements and notes included in Item 17 of this annual report.

For a reconciliation to U.S. GAAP, and a discussion of the significant differences between U.S. GAAP and Swedish GAAP which affect our consolidated financial statements, see Note 24 to the consolidated financial statements.

The following information should be read in conjunction with (i) Item 5: "Operating and Financial Review of Prospects" and (ii) the audited consolidated financial statements of the Company.

Amounts in accordance with Swedish GAAP (a)

Consolidated Income Statement	2000	1999	1998	1997	1996
(In SEK m., except per share data expressed in SEK and except cash dividends expressed in USD)					
Net Sales	273,569	215,403	184,438	167,740	124,266
Operating income[1]	31,165	17,590	19,273	18,757	10,758
Income before taxes	28,692	16,386	18,210	17,218	10,152
Income tax paid	–9,059	–4,756	–5,214	–6,551	–4,671
Income tax deferred	1,061	398	–195	796	1,272
Net Income	21,018	12,130	13,041	11,941	7,110
Earnings per share (b), fully diluted	2.65	1.54	1.67	1.52	0.91
Cash dividends per share (c)					
in SEK[2]	0.50	0.50	0.50	0.44	0.31
in USD[2]	0.05	0.06	0.06	0.06	0.04

Consolidated Balance Sheet	2000	1999	1998	1997	1996
Working capital (d)	93,879	66,037	52,978	53,095	36,180
Tangible assets, net	22,378	24,719	22,516	19,225	17,754
Additions to tangible assets	12,293	9,085	8,965	7,237	7,188
Total assets	250,314	202,628	167,456	147,440	112,152
Notes and bond loans, convertible debentures, noncurrent provisions excluding pensions and deferred tax and other long-term liabilities	22,829	25,181	13,348	11,363	6,308
Net assets (f)	94,450	71,358	65,163	57,019	43,866
Minority interest	2,764	2,182	2,051	4,395	3,410
Stockholders' equity	91,686	69,176	63,112	52,624	40,456
Number of shares outstanding[3]	7,910.3	7,828.6	7,805.4	7,795.9	7,689.2
Average number of shares after full conversion and exercise of stock options (million)	8,004.4	7,987.5	7,987.5	7,897.6	7,886.0

Amounts in accordance with U.S. GAAP (a)

	2000	1999	1998	1997	1996
(In SEK m., except per share data expressed in SEK and except cash dividends expressed in USD)					
Net income	23,393	15,239	15,539	12,848	7,976
Net income from continuing operations excluding interest expense on convertible debentures, net of tax	23,494	15,340	15,718	12,890	8,035
Earnings per share, basic (e), before effect of discontinued operations	2.97	1.95	1.99	1.66	1.05
Earnings per share, basic, after effect of discontinued operations	2.97	1.95	1.99	1.66	1.05
Earnings per share, fully diluted (b), before effect of discontinued operations	2.94	1.92	1.97	1.63	1.02
Earnings per share, fully diluted, after effect of discontinued operations	2.94	1.92	1.97	1.63	1.02
Stockholders' equity	109,217	85,616	70,318	57,364	44,921
Capital stock	7,910	4,893	4,878	2,436	2,403
Average number of shares outstanding					
Basic[3]:	7,869.4	7,817.2	7,800.9	7,755.0	7,676.3
Fully diluted[3]:	7,999.5	7,987.5	7,987.5	7,897.6	7,886.0

1) Equal to operating income from continuing operations

2) Per share amount is adjusted for the stock split 4:1 for all years

3) Number of shares is adjusted for the stock split 4:1 for all years

(a) Ericsson's consolidated financial statements are prepared in accordance with Swedish GAAP, which differ in certain significant respects from U.S. GAAP. See Note 24 to the consolidated financial statements in Item 17 of this annual report.
(b) Earnings per share are based upon the average number of common shares outstanding after full conversion of convertible debentures and stock issue in 1995. The average numbers of shares in 1996–1997 have been adjusted for the 1:1 bonus issue and 1996–1999 adjusted for 4-for-1 stock split. See Note 5 to the consolidated financial statements.
(c) Cash dividends per share are those declared out of earnings for the year as recommended by the Board of Directors and approved by the annual general meeting of shareholders held in March or April of the following year. The cash dividends per share have been translated to USD at the rates on the respective payment dates of each year. 1996–1999 adjusted for 4-for-1 stock split.
(d) Working capital is defined as current assets less current non interest-bearing provisions and liabilities. Our definition of working capital differs from U.S. GAAP in that it does not adjust for current maturities of interest bearing liabilities. An application of the U.S. GAAP definition of working capital would give the following amounts: SEK 79,111 million in 2000, SEK 54,868 million in 1999, SEK 47,043 million in 1998, SEK 50,091 million in 1997, SEK 29,655 million in 1996.
(e) Earnings per share, basic, are based upon average number of common shares outstanding.
(f) Net assets is defined as total assets less provisions and liabilities.

Exchange Rates

The following tables set forth certain information with respect to the exchange rate for SEK to USD based on the noon buying rate in New York City for cable transfers in SEK as certified for customs purposes by the Federal Reserve Bank of New York of United States dollars in terms of Swedish kronor for the periods shown.

Exchange rates (in SEK per USD 1.00)	2000	1999	1998	1997	1996
Rate at Year-End	9.4440	8.5050	8.1030	7.9400	6.8250
Average rate [1]	9.2251	8.3007	7.9658	7.6843	6.7099
Highest rate	10.3600	8.6500	8.3350	8.0825	7.0300
Lowest rate	8.3530	7.7060	7.5800	6.8250	6.5455

1) The average rate means the average of the exchange rates on the last day of each month during a year.

Exchange rates (in SEK per USD 1.00)	May 2001	April 2001	March 2001	February 2001	January 2001	December 2000
Highest rate	10.7900	10.3850	10.4300	9.9730	9.6900	9.9000
Lowest rate	10.2000	10.0820	9.6730	9.4890	9.3250	9.4440

On June 14, 2000, the U.S. Federal Noon Buying Rate was 10.7070.

Item 3B: Capitalization and Indebtness

Not applicable

Item 3C: Reason for the Offer and Use of Proceeds

Not applicable

Item 3D: Risk factors

Ericsson's operations are all in the area of telecommunications, and therefore more exposed to the conditions in this market. The telecom industry is characterized by rapid technological development, significant restructuring among operators and vendors and also lowering of the barriers of entry through increased focus on data traffic and applications and services rather than infrastructure for voice communications. The telecom industry is affected by general economic conditions in different countries and also to the situation on capital markets regarding availability of credit and overall exposure to the industry . These conditions may affect operators' capital expenditure for infrastructure, services and terminals.

The competition among vendors is increasing and good customer relations, successful and rapid product development, financial capacity for customer financing and a competitive know-how regarding third generation systems and applications are crucial for success. There are risks for price competition as well as competition through offering of favorable customer financing conditions. Documented implementation capabilities of complex networks is also an important competitive edge for vendors when competing for contracts regarding 3G, which may reduce the need to compete on price or financing. Customer financing commitments have so far been given in very few of the agreements where Ericsson has been elected supplier to an operator.

Mergers of customers can create rapid changes in demand as a previous customer may change vendor as a result of belonging to a new operator group. Ericsson has all the world's top ten operators as customers, which mitigates such risks.

Ericsson has a very limited home market—sales in Sweden were less than 4 percent of total revenue—and Ericsson has for a century been exporting to foreign countries and working on a global scale. This creates exposure to foreign currency risks, political risks, economic conditions and local telecommunications regulations in foreign countries, affecting demand. Ericsson is active in over 140 countries, which spreads these risks. Foreign currency risks are managed by balancing attets and liabilities in foreign currencies and through use of derivatives for swapping and hedging. The counterparty risk exposure is historically limited, as customers have been regulated monopolies with low credit risk. Increased deregulation is normally favorable for our business, as it increases demand for infrastructure equipment and services, but with the entrant of new operators, counterparty credit risks may increase. More frequent use of customer financing for competitive reasons also increases the risk of customer defaults or payment delinquencies. Increased competition among operators also increases focus on time to market and the adverse effects of delays in network implementations, which also may increase the risks for penalties in case of a delay.

For competitive reasons, to reduce cost and increase flexibility, production is now more frequently outsourced and thereby exposure increased to risks of delivery problems due to fewer vendors, as compared to own production in multiple facilities. In some cases, volume- and lead-time commitments to vendors are more extensive than we may obtain from our customers, leaving an exposure to carrying of inventory or payment of rescheduling penalties. Sharp fluctuations in demand or abrupt disturbances of supply of components may lead to delayed or reduced sales and temporary excess capacity costs also in our own production and implementation operations.

Intellectual property rights are increasingly important to safeguard, to enable access to vital technology and to protect valuable research results. Successful patent applications are an important element both for the protection as such, but also as a trading commodity for access to competitors' research results through cross-licensing agreements. Successful work in relevant standardization bodies are also an important aspect to safeguard research results in terms of getting standards defined based on technology available in-house. Ericsson is working very actively in these areas to protect its intellectual property.

Ericsson is currently facing problems in its mobile phone operations. Improved profitability is dependant on management's ability to successfully restructure these operations. One element of the restructuring, in addition to the downsizing and thereby reduced overall impact on Ericsson of volatility in sales and income, is to enter into a joint venture with Sony for development and sales of mobile phones and terminals. This joint venture is intended to strengthen the competitiveness through improved design and customer orientation , and by combining the partners' technological expertise bring exciting new products to the market for 3G. These benefits are dependant upon successful implementation of this joint venture.

Management of financial risks regarding interest rates and currency rates are described in thise annual report, under “Quantitative and Qualitative Disclosures about Market Risks”. Ericsson uses borrowing and derivatives to offset and hedge such risks. Successful cash flow- and liquidity management is also crucial to safeguard necessary funds for operational needs.

Currently the large credit volume absorbed by the telecom sector is causing some concerns among financial institutions. A continued growth in the sector is dependant on the general macroeconomic situation as well as the conditions in the financial markets. In particular the large financing requirements for 3G infrastructure is causing hesitation, primarily in Europe, as a consequence of the large sums involved in acquisition of licenses. Customer financing credits will be normally not be utilized until shipments are made, and significant amounts are therefor not expected until late 2002 and 2003. The current credit market hesitation and the resulting perceived pressure on vendor financing can be expected to change, once some 3G networks are put into service and generating revenues. Then operators will have more credible business cases to present to the financial market and the pressure on vendors will diminish.

Ericsson stock is traded mainly in Sweden, on the OM Stockholm Stock Exchange (44 percent), on NASDAQ (31 percent as ADRs) and on the London Stock Exchange (24 percent). On the OM Stockholm Stock Exchange, Ericsson is a dominant part of the total market capitalization as well as of the exchange turnaround, which may make the Ericsson stock more exposed to the Swedish capital market development than could be expected, given the international breadth of operations and revenue. From a Swedish investor perspective, the Ericsson stock price is also very much affected by the trading on NASDAQ and in London.

In year 2000, employee stock option programs were introduced. The potential dilutive effect of these are very limited, less than 2 percent of total number of shares.

Item 4. Information on the Company

Item 4A: History and Development of the Company

Telefonaktiebolaget LM Ericsson (publ) is a limited liability company of infinite duration incorporated in Stockholm in the Kingdom of Sweden under the Swedish Companies Act. We were incorporated in August 18th, 1918, through a merger between AB LM Ericsson & Co. and Stockholms Allmänna Telefon AB. The origin of our company dates back to a manufacturing business for communications equipment founded in Stockholm in 1876.

A Swedish company with substantial international operations, we are an international leader in telecommunications, providing advanced systems and products for fixed and mobile communications in public and private networks. Our broad range of tele- and data communication products includes systems and services for handling voice, data, images and text in public and private fixed line and mobile networks, microelectronic components, defense electronics and telecommunications- and power cables.

We have branch and representative offices in 44 (45) countries.

Our registered office is located at Telefonplan, SE-126 25 Stockholm, Sweden, telephone +46 (0)8 719 00 00.

New Organizational Structure

We implemented a new organizational structure during the second half of 2000 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; and
- 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 (Private Branch Exchange), 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.

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.

Other Events

A stock split 4:1 was effected in May 2000.

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.

Acquisitions, divestitures and joint venture

A number of acquisitons and divestitures have affected our results of operations and financial conditions over the last three years. The following table highlights the most significant of these transactions.

SEK m.		Capital Gain	Acquisition Value
Divestitures			
Businesses divested			
2000	Energy Systems	4,465	-
Shares divested			
2000	Shares in Juniper Networks	15,383	-
Properties divested			
2000	Sweden	1,478	-
Acquisitions			
Businesses acquired			
2000	Microwave Power Devices Inc. (USA)	-	864
1999	Torrent Network Technologies Inc. (USA)	-	3,729
	Touch Wave Inc. (USA)	-	460
1998	Advanced Computer Communications Inc. (USA)	-	2,359
Properties acquired			
1998	United Kingdom	-	1,250

Agreements in 2000

At the beginning of the year, Private Radio Systems was sold to US-based Com-Net Critical Communications with no material capital gain. We sold Energy Systems to Emerson on April 1, with a net capital gain of SEK 4.5 billion. Sale of Juniper Network shares in December gave capital gain of SEK 15.4 billion. The component distribution activities within the Microelectronics operations were sold to France-based Electrodis. Most of our real estate properties were sold during 2000, with a net capital gain of SEK 1.5 billion 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.

In November, Ericsson 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. The Company 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 (including Ericsson, Matsushita, Motorola, Nokia and Psion) for the EPOC operating system for mobile devices continued successfully, as did the WAP (Wireless Application Protocol) 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, Ericsson are, of course, actively participating in the 3G Partnership Program (3GPP) for further development of the 3G standard. 3GPP is a global cooperative project in which standardization bodies in Europe, Japan, South Korea and the United States are coordinating WCDMA (Wideband Code Division Multiple Access) issues.

In order to support the development of Mobile Internet applications, products and services, the Company 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, Ericsson 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 the 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.

Agreements in 1999

A number of significant acquisitions and joint venture agreements were concluded in 1999. Among the most important were:

- In March, Ericsson and Qualcomm entered into an agreement which led to the unlocking of closed positions regarding CDMA patents for the third-generation (3G) WCDMA (Wideband Code Division Multiple Access) standardization. Ericsson and Qualcomm agreed on intellectual property rights and thereby eliminated patent litigation issues. Ericsson also acquired Qualcomm's infrastructure division and is now, as sole supplier, able to deliver mobile phone systems of all standards.
- In the second quarter, Ericsson acquired two U.S.-based companies specialized in Internet access routers, Torrent Network Technologies Inc. and TouchWave Inc. Their products will complement Ericsson's offering regarding Internet access.
- In December, a joint-venture company, to be managed by Ericsson, was established with Microsoft to develop and market solutions for mobile Internet. The agreement gives Microsoft access to Ericsson's WAP technology, and enables Ericsson to use Microsoft Mobile Explorer in more sophisticated mobile phones.

In early 1999, Ericsson sold its majority holdings in the Italian network construction company Cosir S.p.A. Ericsson retains a minority holding.

During the year, the following acquisitions were made:

- the Brazilian company Matec S.A. is now a subsidiary, since ownership has increased from 30 percent to 97.5 percent.
- the Infrastructure division of Qualcomm Inc. was acquired and incorporated as Ericsson Wireless Communications Inc.
- the Mobile network planning and field measurement division of lcc International Inc. was acquired and incorporated as Ericsson NetQual Inc.
- Torrent Networking Technologies Inc., renamed Ericsson IP Infrastructure Inc.
- TouchWave Inc., renamed Ericsson WebCom Inc.
- Telebit A/S
- Ericsson increased its holdings in the Nigerian company LM Ericsson (Nigeria) Ltd to 55 percent and the company is now a consolidated subsidiary
- Holdings in a new associated company: Across holding AB
- Minority holdings in: Juniper, Saraïde, OZ.COM, iD2 Technologies AB

A shared service company was established in Sweden, Ericsson Shared Services AB, supporting Swedish subsidiaries regarding accounting, reporting, payroll and travel management services.

LM Ericsson Data AB and Semantica AB changed their names to Ericsson Business Consulting AB and Ericsson Business Consulting Sverige AB, respectively. These companies were a part of the business segment Enterprise solutions' consulting unit.

In Spain, the three subsidiaries Ericsson Infocom

Espana S.A., Ericsson Radio S.A. and Ericsson Redes S.A. merged into Ericsson Espana S.A.

In France, S.A. Ericsson and Ericsson Radio S.A. and parts of met Commutation have merged into Ericsson S.A.

Ericsson signed a letter of intent with Compaq to outsource IT support, starting in the Nordic region and involving more than 40,000 work stations.

Other outsourcing activities include manufacturing and software design operations in Longuenesse, France, and Östersund, Sweden, to Solectron and in Katrineholm, Sweden, to Flextronics. A software development unit in Östersund, Sweden, was transferred to AU-System AB.

Agreements in 1998

Several strategic aquisitions were made, totaling more than SEK 10,000 m., including remaining shares in MET S.A. (France), minority interests in Ericsson Telecomunicacoes (Brazil) and Ericsson Holding II Inc. (USA), the acquisition of Advanced Computer Communications Inc. (USA) and a commercial property in London. The minority share in the Brazilian company was reduced to 2.2 percent from 49.9 percent after the aquisition of shares by Ericsson in August 1998.

In the beginning of 1998, Ericsson acquired the outstanding 50 percent of the shares in MET S.A., a former associated company in France. During the second quarter, General Electric exercised an option to sell its 20-percent minority interest in the jointly owned company Ericsson Holding II Inc. (USA) to Ericsson.

During August and September, Ericsson acquired most of the outstanding minority interest in Ericsson Telecomunicaoes S.A., a Brazilian subsidiary. Shares valued at SEK 4,869 million were acquired. In December, Ericsson reduced its shareholding in Intracom S.A., a Greek company, from 13 percent to 5 percent. The sale yielded a capital gain of SEK 658 million.

Subsequent events

Outsourcing of production continued during 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 to this end, in January, 2001, we signed a memorandum of understanding with Flextronics. Production will be transferred to Flextronics in the first half of 2001.

We are 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 our complete systems.

We are 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, our division Internet Applications is dissolved as of March 1, 2001, and Executive Vice President Haijo Pietersma left Ericsson on March 1, 2001. The Internet Solutions organization was transferred to division Global Services on March 1, 2001.

In the second quarter 2001 Ericsson and Sony Corporation signed a memorandum of understanding to create a new company that will incorporate their respective mobile phone businesses worldwide. The new company, to be named Sony Ericsson Mobile Communications, will be equally owned by Ericsson and Sony and will draw upon Ericsson's leading expertise in telecommunications and Sony's leading expertise in consumer electronics products.

Expected to begin operations on October 1, 2001, subject to completion of a definitive agreement and applicable regulatory requirements, the joint venture will be responsible for product research, design and development, as well as marketing sales, distribution and customer services.

The annual general meeting of shareholders 2001 decided to implement a global stock incentive program comprising two parts, a stock option plan and a stock purchase plan, based on a new class of shares, an equivalent to treasury stock. The global stock incentive program requires totally 155,000,000 shares, equaling 1.96 percent of the total number of issued shares. Under the stock option plan employees will be offered employee stock options free of charge. The employee stock options give the right to acquire B-shares in Ericsson. The number of employees in the stock option plan is expected to be approximately 12,000 and the number of employee stock options will equal about 120,000,000 B-shares. The employee stock options will be granted during a period of two years.

The stock purchase plan is intended to be offered to all of our employees. The employees will on a voluntary basis be allowed to save a limited part of their salary for purchase of B-shares in Ericsson. For each B-share purchased by an employee and retained for a pre-determined period of time, the employee will receive free of charge one B-share. The details of the plan may vary from country to country, but the target is that an employee shall retain the share purchased for three years, in order to receive one share for free. The number of B-shares covered by this plan is estimated to be about 35,000,000.

In order to implement the global stock incentive program, the annual general meeting 2001 passed an amendment of our articles of association to the effect that redeemable limited preference C-shares can be issued and that a conversion clause is incorporated in the Articles of Association to the effect that C-shares can be converted to B-shares. Further, a directed cash issue of a total of 155,000,000 shares class C has been signed by two investors at a subscription price equal to the nominal amount of the share (SEK 1). On April 26, 2001 we decided on a directed offer to Investor AB and Nordinvest AB, a subsidiary of AB Industrivärden, to acquire 155,000,000 C-shares at a price of SEK 1.005644 per share.

An agreement has been entered into to divest the Enterprise direct sales and service operation in 18 countries, with approximately 2,400 employees, to Apax Partners Funds. Ericsson will retain a 19.3 percent stake in a new company.

On March 12, 2001 Ericsson issued a profit warning. The current economic slow-down, in particular in the US, has increased the uncertainty about the growth rate in the entire information technology sector. The slower growth has affected all of Ericsson's operations. Customers in the US in particular are postponing their capital expenditures. Also in Western Europe, in markets with already high penetration, operators are delaying investments.

Sales during the first quarter 2001 were down by 5% (4% for comparable units) and income before taxes was down –90% to SEK 0.6 billion. In the first quarter of 2001 Ericsson sold its remaining shares in Juniper with a capital gain of SEK 5.5 billion. Adjusted for this capital gain income before taxes showed a loss of SEK –4.9 billion. The adjusted margin declined to –8% (11%). These results reflect further weakening of the mobile phones business and a reduced operation margin for systems.

Cash flow before financing activities was SEK –17.7 billion, primarily attributable to operating losses in mobile phones and slower customer payments. The net increase in borrowings during 2001 is SEK 23,8 billion. Possible further divestments to improve cash flow are being investigated. Bonus for all managers is now cash flow based.

In light of the current market situation, Ericsson is further streamlining its phone operations. These new actions are expected to deliver additional savings of SEK 3 billion over and above the SEK 15 billion savings earmarked for the original Back to Profits program. The aim of the program is to concentrate the product portfolio and get back to an operating income in the second half of 2001, and reduce the annual cost base by SEK 10 billion, reaching full effect by 2002. The following actions are being implemented:

- Focus and concentration of product portfolio;
- Outsourcing of development and manufacturing of entry-level mobile phones;
- Outsourcing of manufacturing; and
- Increased R&D for mobile Internet.

In addition to this Ericsson is also streamlining its worldwide operations in an efficiency program with the objective of saving more than SEK 20 billion per year, beginning 2002.

Restructuring provisions for the efficiency program and the extended Back to Profits program will be taken as a one-time charge in the second quarter 2001, and are estimated to be approximately SEK 15 billion.

Item 4B: Business Overview

We have an organization with three customer oriented business segments:

- Network Operators and Service Providers;
- Consumer Products; and
- Enterprise solutions.

In addition to these segments, we have additional business operations such as reported under "Other operations", which includes components, cables, defense systems and other minor operations.

Our market organization is grouped into five market areas, reporting to the President:

- Western Europe;
- Central and Eastern Europe, Middle East and Africa;
- Latin America;
- North America; and
- Asia Pacific.

Reporting to the market areas are market units for specific geographical markets, normally countries, and global account executives.

In most cases we sell our products through subsidiaries present in local markets. Sales in some markets, for example mainly in market areas Central and Eastern Europe, Middle East and Africa, are however made from Ericsson companies in Sweden or other countries. For phones a large volume of sales are made via operators.

We had a general shortage of components during the first three quarters of year 2000 and a particular shortage of a unique component for mobile phones due to a fire in a supplier factory. The total full year effect amounted to SEK 4.5 billion.

For discussion of Patents and Licenses, please see Item 5C.

Business Segments

Network Operators and Service Providers

Our business segment Network Operators and Service Providers caters to the needs of operators of public communications networks, fixed line or mobile, circuit switched or packet switched and with IP-signaling or other standards. This is the largest segment within Ericsson. The segment includes business units for various types of systems, such as mobile systems for European standard, US standards and Japanese standard, plus wireline systems, datacom networks, microwave radio links as well as radio messaging.

Mobile systems

In 2000 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. 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 selected as vendor in 22 of 33 announced deals until the end of the year. This is in recognition of Ericsson technology leadership and proven capabilities as a systems integrator and end-to-end supplier.

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.

Ericsson continued to increase its market share also for 2G infrastructure equipment and also won a majority of the orders for GPRS-systems (General Packet Radio Service), also called "2.5G".

A favorable development in 2000 was the decision by many US- and Latin American operators to switch to GSM (Global System for Mobile Communication) technology for their 2.5G networks as a better transition path to 3G. During the year the Company began to ship 2G CDMA (Code Division Multiple Access) systems, as a result of our acquisition last year of Qualcomm's infrastructure division. Ericsson is the only supplier in the market offering all mobile technologies. Ericsson also introduced CDMA handsets during the year.

Wireline systems

The AXE system is the most important product in this area. AXE is also the switching platform for Ericsson's mobile telephone systems. Demand for digital telecommunications switching equipment for fixed line networks is still rising. The leading operators have largely expanded their public networks, but there are still substantial needs for expansion in such countries as Brazil, China and Russia. Operators are now starting to upgrade their networks to next-generation architecture, which will also handle data and multimedia communication.

Ericsson's ENGINE concept for migration of circuit-switched networks to the next generation, which will also handle IP/ATM-based packet (Internet Protocol/Asynchronous Transfer Mode) switched traffic was launched in 1999 and attracted considerable interest among fixed line operators.

In 2000, we enjoyed strong demand for our ENGINE solution for upgrading of existing networks with capabilities for datacom and IP-based telephony. ENGINE is to a large extent utilizing Ericssons earlier development in the broadband area, such as broadband ISDN and optical transmission systems. Due to this development and the 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. We believe capital expenditures for infrastructure is picking up momentum. 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.

Other products

In addition to mobile and wireline systems, the segment product portfolio includes data communication and transmission equipment, such as IP- and ATM switches, radio links, optical switching products and messaging.

Consumer Products

At Ericsson, all operations focusing on consumers are brought together in the business segment Consumer Products, with approximately 21 percent of our total external sales. Mobile phones, the dominant product, are being supplemented with other consumer products used primarily in wireless communication. 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.

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.

For Consumer Products, the 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. Ericsson were however unable to capitalize in full on 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. Ericsson also incurred quality deficiencies in shipments from another supplier of key components. The shortages led to severe delays in shipments and products had to be sold at extra discounts. In addition, substantial write-offs of excess and obsolete components and renegotiations 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, Ericsson 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.

The full year loss at SEK –16.2 billion, although significantly higher than originally forecast, is in line with guidance after nine months and includes SEK 4.7 billion of restructuring charges. Additional restructuring provisions of SEK 8 billion were made at year-end, of which SEK 2 billion relate to the original restructuring program and an additional SEK 6 billion 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

Enterprise solutions constitute around 6 percent of our total external sales. The segment addresses mainly the corporate telecom markets through the following products:

- Business communications solutions for voice, data and multimedia communications, including equipment and terminals for mobile communications in business networks. The products include the Consono family of PBXs (Private Branch Exchange) for large companies and Business Phone products for small to medium-sized enterprises.
- Services and business consulting activities for IP telephony services and internet applications.

Enterprise solutions 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.

The consulting business grew substantially during the year and was increasingly focused on Internet applications. Orders and sales were flat, 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.

Other Operations

Ericsson has additional operations, all however related to telecommunications. The main units are components, cables and defense systems.

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 2001 after release of the approved Bluetooth standard. Bluetooth is a radio technology that makes it possible to transmit signals over short distances between phones, computers and other devices. 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 SEK 1.4 billion. 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.

Cables, Defense systems and Microelectronics all had very strong sales increases. Orders increased very well too, except in Defense systems, where a large ERIEYE (surveillance radar system) order last year makes this year's bookings lower.

Geographic Markets

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 Ericsson's 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 Ericsson 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 more slowly. We believe that the market in China is beginning to pick up momentum after a comparatively low investment level in 2000.

Segment Results

Adjusted operating income per segment (SEK m.) *

		2000		1999		1998
	Adjusted Operating Income	Adjusted Operating Income, %	Adjusted Operating Income	Adjusted Operating Income, %	Adjusted Operating Income	Adjusted Operating Income, %
Network Operators and Service Providers	33,072	17	19,637	13	15,264	12
Consumer products	–16,195	–29	253	1	3,181	7
Enterprise solutions	22	0	64	0	96	1
Other operations	1,708	9	403	0	1,452	10
Unallocated**	–1,858		–2,439		–720	
Total	16,749	6	17,918	8	19,273	10
Adjustment for items affecting comparability						
Non-operational items	7,033		–328			
Additional restructuring	–8,000					
Capital gain Juniper Networks	15,383					

Net sales by segment (SEK m.)

Year to date	2000	1999	1998
Network Operators and Service Providers	194,074	149,943	123,219
Consumer products	56,343	46,444	45,237
Enterprise solutions	17,479	17,345	14,561
Other operations	19,027	16,750	15,170
Less: Intersegment sales	—13,354	—15,079	—13,749
Total	273,569	215,403	184,438

Orders booked by segment (SEK m.)

Year to date	2000	1999	1998
Network Operators and Service Providers	212,440	151,762	127,589
Consumer products	57,001	47,552	44,920
Enterprise solutions	17,834	17,978	14,615
Other operations	18,573	22,021	14,251
Less: Intersegment sales	—13,504	—15,485	—13,960
Total	292,344	223,828	187,415

Number of employees by segment

Year to date	2000	1999	1998
Network Operators and Service Providers	70,317	64,695	68,645
Consumer products	16,840	16,446	14,193
Enterprise solutions	8,324	9,615	9,966
Other operations	8,520	11,525	10,678
Unallocated**	1,128	1,009	185
Total	105,129	103,290	103,667

Net sales by Market Area (SEK m.)

Year to date	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

* Adjusted operating income is operating Income adjustment for adjustment for items affecting comparability such as non operational capital gains, restructuring costs and premium refund exceptional large capital gains/losses.

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

Item 4C: Organizational Structure

See Item 4A "History and development of the company".

Item 4D: Property, Plant and Equipment

Ericsson Factories and licensees

On December 31, 2000, we had 14 plants in Sweden and 16 subsidiary manufacturing units elsewhere.

In the rest of Europe, our subsidiaries operate factories in Norway, Spain and the UK. Outside of Europe, our subsidiaries also operate factories in Brazil, China, India, Malaysia, Mexico and the U.S. See table below for manufacturing units.

In addition, associated manufacturing companies operated five units in Croatia, Denmark, India, Malaysia and Sweden.

Six non-affiliated companies manufacture Ericsson products under licenses in Algeria, China, Egypt, Greece, Pakistan and Switzerland.

As a result of technology changes and improvements in the production methods for electronic systems, the numbers of manufacturing units and factory employees are expected to decrease in the future.

At December 31, 2000, SEK 24 million of land, buildings, machinery and equipment were pledged as collateral for outstanding indebtedness, all representing real estate mortgages. The net book value of tangible assets at such date amounted to SEK 22,378 million, including aggregated revaluation, net of accumulated depreciation, of SEK 246 million.

We believe that our principal properties are suitable and adequate for our present needs and that we have sufficient capacity to meet our anticipated need for property.

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 into the air and water, waste products and noise. Chemicals used include flux and soldering paste and powder lacquer. Life cycle analyses 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 our production units have already been certified, with the remaining units to be audited in 2001.

Environmental liabilities

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

In connection with the sales during 2000 of a majority of our 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.

The following table sets forth the location, number of employees, products manufactured, size, use, capacity, utilization and production capacity of each of our manufacturing units for 2000:

Property	Employees	Products	Owned/ leased	Size (m2)	Use of theUnit	Capacity Utilization (%)	Production Capacity in Delivery Value (SEK000s)
Sweden, Nynäshamn	720	Mobile Systems	Leased	14,000	Factory	90%	1,861
Sweden, Kista	788	Mobile Systems	Leased	19,600	Factory	75%	2,690
Sweden, Kista	543	Module components	Owned	26,000	Factory	70%	551
Sweden, Kalmar	338	Module components	Leased	14,000	Factory	70%	1,100
Sweden, Kumla[1)]	290	Printed Circuit Boards	Leased	18,000	Factory	50%	1,100
Sweden, Kumla	3,200	Terminals	Leased	35,000	Factory	50%	6,000
Sweden, Gävle	340	Mobile Systems Assembly	Leased	4,700	Factory	100%	11 000
Sweden, Gävle	1,582	Mobile Systems	Leased	31,000	Factory	90%	3,565
Sweden, Mölndal	530	Defence	Leased	16,000	Factory	90%	400
Sweden, Borås	1,476	Mini Link	Leased	33,200	Factory	50%	3,000
Sweden, Katrineholm	406	Mobile systems, Switching systems	Leased	8,000	Factory	70%	3,100
Sweden, Linköping[1)]	1,600	Terminals	Leased	35,000	Factory	60%	4,000
Sweden, Hudiksvall	725	Cables	Leased	50,000	Factory	90%	2,000
Sweden, Falun	229	Cables	Leased	40,000	Factory	90%	580
US, Morgan Hill	223	RF-Power Transistors	Leased	4,704	Factory	30%	1,200
US, Rancho Cordova	50	RF-Power Transistors	Leased	800	Factory	70%	300
China, Shanghai	155	Module components	Leased	2,000	Factory	90%	200
Spain, Bilbao	1,000	Terminals	Owned	3,200	Factory	40%	150
UK, Carlton & Scunthorpe[2)]	1,250	Terminals	Owned	20 700	Factory	70%	4,000
Brasil, Sao Jose dos Campos	535	Mobile systems, Switching systems	Owned	17,000	Factory	80%	3,340
Brasil, Sao Jose dos Campos	1,000	Terminals	Owned	14,000	Factory	80%	5,000
Mexico, Tlalnepantla[2)]	150	Switching Systems	Owned	3,000	Factory	90%	450
Malaysia, Shah Alam[1)]	2,000	Terminals	Owned	20,000	Factory	80%	4,000
China, Nanjing	295	Mobile systems, Switching systems	Owned	5,700	Factory	70%	5,850
China, Nanjing	600	Terminals	Owned	14,000	Factory	80%	2,000
China, Beijing	400	Mobile systems	Owned	8,000	Factory	45%	1,700
China, Beijing	1,500	Terminals	Owned	8,000	Factory	70%	5,000
US, Lynchburg[1)]	2,500	Terminals	Leased	25,000	Factory	50%	5,000
US, Lynchburg	600	Mobile systems	Leased	20,000	Factory	50%	3,900
US, San Diego	150	Mobile Systems	Leased	2,000	Factory	60%	936

1) Operations sold in 2001

2) Operations will be closed in 2001

We have currently no material plans to construct, expand, or improve facilities.

Item 5. Operating and Financial Review and Prospects

Item 5A: Results of Operations

The following discussion of our operating and financial review and prospects should be read in conjunction with our consolidated financial statements as of and for the years ended December 31, 1998, 1999 and 2000 included in Item 17 of this report. These consolidated financial statements have been prepared in accordance with Swedish GAAP and have been audited by independent accountants, PricewaterhouseCoopers. For a discussion of the principal differences between U.S. GAAP and Swedish GAAP, see Note 24 to the consolidated financial statements in Item 17 of this annual report.

General

We have significant sales, assets and debt in currencies other than Swedish kronor. A high percentage of our sales are export sales from Sweden, with invoicing partly in kronor but mainly in other currencies. Our earnings may be affected by movements in the exchange rate between Swedish kronor and foreign currencies. It is our policy to substantially reduce our exposure to currency risks through a variety of hedging activities. We are also exposed to financial risks in connection with providing financing to our customers. See Item 11.

2000 compared with 1999

Orders booked increased by 31 percent and sales by 27 percent (1999: 33 percent and 29 percent, for comparable units). The increase in sales was mainly attributable to increased volumes. A part of this volume increase was a result of the introduction of new products. Orders and sales in the 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 the mobile phones business, net 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, a decision was taken to implement an aggressive restructuring program for the phone operations, which incurred additional costs.

A total of SEK 12.7 billion as a one time of restruction charges negatively impacted the operating income of SEK –24.2 billion, for phones. The restructuring is expected to generate annual savings of SEK 15 billion 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 replacements. As the penetration is now around 60 percent in many countries, the main objective for operators is to keep their current customer base. A number of firm contracts for 3G were signed in the fourth quarter. 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 more slowly. We believe that the market in China is beginning to pick up momentum after a comparatively low investment level in 2000.

Exports from Sweden were SEK 158 (1999: 131) billion, up 21 percent, including sales to consolidated companies.

Other operating revenue includes capital gains net of minorities of SEK 25.2 billion of which SEK 19.3 billion are operational, including SEK 15.4 billion from sales of shares in Juniper Networks. Non-operational capital gains of SEK 5.9 billion are the results from divesting of Energy Systems and real estate properties. A pension premium refund in Sweden of SEK 1.1 billion 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 a higher than expected volume of 3G awards. R&D expenses increased 27 percent, the same rate as sales, whereas Selling and General and Administration expenses increased more slowly.

R&D and other technical expenses, including development costs on customer orders increased by 26 percent to SEK 43.8 billion or 16 (1999: 16) percent of Net Sales. Overall, we achieved an adjusted operating margin of 6.1 percent, excluding the capital gain of SEK 15.4 billion from sale of Juniper shares, the additional restructuring provision in phones of SEK 8.0 billion and non-operational items of SEK 7.0 billion.

Income effects of changed currency exchange rates compared to the rates during last year were around SEK +1.3 billion. For mobile phones, however, effects were negative around SEK –3.4 billion 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 SEK 28.7 (1999: 16.4) billion, up 75 percent. The tax rate year to date was as low as 27 percent, since portions of our 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).

Inventory turnover for the year reached 5.2 times (4.8), affected by inventory write-downs. The Company's target was a level of more than 5.0 times. Receivables turnover for the year was 3.9 times (3.7), slightly below target of 4.0 times. Customer financing is granted very selectively and preferably as bridge-financing until our customers find permanent solutions.

During the year, gross on-balance sheet financing was reduced by 17 percent, whilst off-balance sheet gross exposure increased only slightly. Investments in tangible fixed assets were SEK 12.3 billion, of which SEK 5.1 billion was in Sweden. The equity ratio at year-end was 37.7 (35.2) percent. The target of 40 percent was not reached, and efforts to improve capital efficiency will continue, in particular regarding inventory and receivables.

With strong order growth and sales, Network Operators 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.

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

For 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 profitability.

In other operations and unallocated costs the Energy systems business and real estate properties have been divested. These effects are reported among non-operational capital gains. Among our 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 made this year's bookings lower. Unallocated costs decreased more than 20 percent compared to last year. A pension premium refund of SEK 1.1 billion is included in non-operational items.

License granting for 3G has started in Japan and Europe. High license prices in auctions can be negative for Ericsson with higher demand for customer financing, price pressure and overall higher risk.

The deregulation of the telecommunication market may have a positive effect on Ericsson with increased business opportunities.

1999 compared with 1998

Net sales increased by 17 percent to SEK 215.4 billion. An increase of over 40 percent in mobile systems was offset by slightly lower sales in Wireline Systems and a modest 3 percent increase for mobile phones. Sales in Enterprise Solutions were up 19 percent over last year, and an increasing portion of the sales is generated from the consulting and services activities, such as WAP-applications (Wireless Application Protocol-applications). The United States again became Ericsson's largest market with 11 percent of sales. The North American market area sales increased by 36 percent and Latin America and Europe/Middle East/Africa by 19 and 18 percent respectively, with strong growth in Brazil, Mexico, Spain and Turkey. Asia/Pacific sales increased by only 5 percent, due to a 16 percent decline in China, partly offset by strong increases in Japan, Australia and India. Exports from Sweden, including sales to consolidated companies, increased by 19 percent to SEK 131 (110) billion.

Orders booked in total increased by 19 percent from last year to SEK 223.8 billion, which is slightly below our long-term annual growth expectations of over 20 percent. This is mainly related to three areas with lower orders than anticipated: wireless products in China, mobile phones and wireline systems.

In our wireless markets, excluding China, growth was well above 50 percent, with very strong volumes in the U.S., Spain and Turkey. Significant orders included 17 orders for trial 3G systems – far ahead of any of our competitors. Another key achievement during 1999 was the capturing of more than 50 percent of all GPRS (General Packet Radio Service) orders. We also received strategic orders for our engine solution for migrating fixed line networks to multiservice capabilities, and an order for an airborne surveillance system to Greece. Total order backlog for Ericsson increased from SEK 79 billion to SEK 84 billion. Other operating revenues increased by SEK 1.2 billion from 1998, mainly due to capital gains from sales of shares in Intracom, and a minor portion of Ericsson's holdings in Juniper. The gross margin declined from 42.9 percent of net sales to 41.6 percent, driven by an unfavorable product mix in mobile phones, with a larger share of older and low-end models than planned, plus price pressure in our wireline business.

Operating expenses developed unfavorably, with an SEK 13 billion (22 percent) increase over last year. The main cause was higher selling expenses from general growth, but in particular also from promotion efforts in mobile phones, increased risk provisions for customer financing, and project costs for process development in our time-to-customer (TTC) flow and supply chain. Restructuring and Y2K expenses also contributed to the increased expense level compared to last year. In the end of January, 1999, a decision was made to implement a restructuring program, which will affect the number of employees by approximately 9,600 over a two-year period. The total net cost reflected in 1999 is SEK 1.8 billion, with a corresponding net gain of the same magnitude in year 2000. All of the objectives for Ericsson's millennium program were met and no major incident was experienced during the transition. The total accumulated costs of the project are SEK 2.7 billion, of which SEK 1.8 billion were during 1999, mainly as part of selling and administration expenses. Additional costs of around SEK 0.4 billion were incurred for year 2000. Research and development (R&D) expenses, including costs related to customer orders of SEK 0.5 (1.3) billion, were SEK 28.3 (25.2) billion or 13 (14) percent of sales. Total technical expenses, including market adaptations, were SEK 34.7 (30.2) billion or 16 (16) percent of sales. The focus of our R&D efforts is on mobile Internet and 3G, as well as on adapting our switching products to the acquired CDMA (Code Division Multiple Access) products from Qualcomm.

The resulting operating margin declined to 8.2 (10.4) percent of sales, mainly because operating expenses increased faster than sales (22 percent vs. 17). Compared to 1998, the effects of foreign currency exchange rate changes had a favorable effect of SEK +0.4 (+0.8) billion on income.

Financial net was reduced to SEK –0.7 (–0.2) billion as a result of a negative cash flow, in particular in the first half of the year. Higher borrowings led to increased financial expenses.

Minority interest in income was SEK –0.5 (–0.8) billion, due to the large minority holdings last year during January–August in our Brazilian subsidiary Ericsson Telecomunicacoes S.A., which we acquired in September of 1998.

Income before taxes, SEK 16.4 billion, is SEK 1.8 billion below last year's record level of SEK 18.2 billion. Due to the successful settlement of several tax cases plus non-taxable capital gains, the tax rate became very favorable, 26.0 (28.4) percent, resulting in a net income of SEK 12.1 (13.0) billion.

Earnings per share were down 7 percent to SEK 6.17 (6.66). The equity ratio dropped from 38.9 percent to 35.2 percent during the year. Adjusted for temporary excess cash at year-end, the equity ratio was approximately 37 percent. Reported directly in stockholders' equity according to generally accepted accounting principles in Sweden and the United States are effects of translation of financial statements of foreign subsidiaries of SEK –2.4 billion, of which SEK –2.6 billion as a result of the devaluation in Brazil.

The Network Operator segment increased sales by 22 percent and with improved margins. Sales of mobile systems products increased by more than 40 percent, while sales in Wireline Systems declined slightly. Ericsson is the undisputed market leader in mobile systems with a market share above 30 percent, more than twice that of the closest competitor's. 40 percent of all subscribers in the world are connected to Ericsson systems, and all of the top ten largest operators have chosen Ericsson. In 1999, Ericsson won more than 50 percent of the orders for GPRS. The operating margin improved to 13.1 percent (12.4), in spite of a negative effect of SEK –1.3 billion from acquired units. The Wireline Systems unit improved performance during 1999 with an operating income of 5.6 percent of sales, demonstrating that the restructuring activities have been successfully implemented and a stable turnaround achieved. Several strategic orders for the engine product concept for migrating circuit-switched networks into multi-service network IP (Internet Protocol) and ATM (Asynchronous Transfer Mode) capabilities were received during 1999 from customers, such as British Telecom, KNP and Telefónica.

For Consumer Products, the market share dropped during the year, in spite of a 30 percent increase in volume to 31 million units. Due to delayed volume production of the new product portfolio, older phones were sold at unfavorable prices resulting in increased sales of only 3 percent. During the fourth quarter, however, operating margin rose to 5.6 percent of sales, compared to 0.5 percent for the full year.

Enterprise Solutions' external sales increased by 19 percent to SEK 11.6 (9.8) billion with strong volumes of the PBX MD110 (Private Branch Exchange). Income was at break even compared to last year, with continued development expenses for IP and wireless communications solutions for private networks. Business consulting activities are focusing on solutions and services for mobile Internet.

Other operations includes the Dedicated Networks unit, previously reported in the Enterprise Solutions segment. Dedicated Networks, which will be closed down, reported a loss of SEK –0.8 billion. Also included in this group is Defense Systems, with lower sales and operating income compared to last year due to fewer orders from the Swedish Armed Forces. Defense Systems however posted a large order of SEK 4.9 billion for airborne surveillance equipment to Greece in the fourth quarter.

Unallocated costs mainly include core corporate staff expenses and goodwill amortization on certain acquisitions. The costs increased from the previous year due to changes in the corporate staff structure, increased millennium expenses, common IT projects and goodwill amortization.

Item 5B: Liquidity and Capital Resources

Ericsson maintains sufficient liquidity through cash management, commercial paper programs, European medium term note program, securitization programs (Europe and US) and committed and uncommitted credit lines for potential funding needs. We define liquidity as cash and short-term investments up to 12 months (U.S. GAAP up to 3 months).

Our liquidity position increased by SEK 6.6 billion during 2000 and amounted to SEK 36.6 (30.0) billion as per 31 December 2000. Our net liquidity positions, after deduction of short-term interest bearing financial liabilities, increased by SEK 3.1 billion. Our funding programs consist of a European Medium Term Note Program (EMTN) of USD 2.5 billions of which USD 2.0 billions was utilized during 2000 and commercial paper programs in the US market, Euro market and Swedish market. The commercial paper program has a total value of SEK 16.4 billions, of which SEK 4.7 billion was utilized as per 31 December 2000. Ericsson has unused long-term committed credit facilities of SEK 9.5 billion and short-term uncommitted credit facilities of SEK 7.5 billion per 31 December 2000.

Ericsson increased the nominal amount of its European Medium Term Note Program in April 2001, from USD 2.5 billion to USD 5.0 billion. During year 2001, Ericsson has made a number of bond issues amounting to SEK 26.5 billion in order to refinance short-term borrowings and extend the debt maturity profile, where the bond issue in May of EUR 2 billion was the largest ever by a Nordic corporate.

Our working capital is sufficient for the present requirements and future working capital requirements will be financed by either internal funds or in the capital market. Ericsson has annual capital expenditures of SEK 12 billion which consist of normal investments in machinery for manufacturing, design/test and office equipment. We have no material individual commitments.

Cash flow before financing activities year to date was SEK 6.4 (–2.4) billion, which primarily was generated by receipts from customers. The cash flow was supported by a number of activities including sales of real estate, divestments of operations and sales of financial instruments. These initiatives generated SEK 26.6 billion in total. A build up in working capital – especially inventories – adversely affected our cash position in 2000. We are present in more then 140 countries around the world. Tax, currency and other legal and economic restrictions in some countries can have an effect on the ability of subsidiaries to transfer funds within the group and to provide internal funding to subsidiaries but the impact of such restrictions is very limited.

The total interest bearing financial liabilities amounted to SEK 46.6 (44,8) billion year to date, of which short-term borrowings were SEK 12.3 (10.5) billion with an estimated average maturity of 3 months and SEK 34.3 (34.3) billion was long-term debt with an estimated average maturity of 5 years. Long-term debt consists mainly of bond issues under the existing European medium note program and pension liability. The bonds are denominated in USD and EUR with an average maturity of 5 years. The interest rate structure of the interest bearing financial liabilities is 99.7 percent floating rate. Ericsson hedges interest rate risks by using derivative instruments, such as forward rate agreements, interest rate swaps and futures. Ericsson has usually a quarterly seasonality of its short-term borrowing requirements, with peaks in the middle of quarters. These variations in borrowing requirements are primarily met by utilization of commercial paper programs.

Ericsson is investing excess liquidity primarily in government paper, as well as commercial paper and corporate bonds, with a short-term rating of at least A2/P2 and a long-term rating of at least A/A2. In order to limit currency exposures, cash and cash equivalents are primarily held in Swedish kronor (SEK) and invested at floating interest rates.

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, our policy stipulates that the greater part of borrowings should be long-term or covered by long-term credit facilities.

Ericsson Treasury Services are responsible for handling most of our liquidity and currency transactions. It operates as an internal bank and acts on our behalf in the currency and capital markets. Responsibility for identifying and hedging financial risks arising in our operations rests with the individual Ericsson companies. Risks are hedged through Ericsson Treasury Services, which in turn manages our exposure centrally within risk limits given by the Board.

Item 5C: Research and Development, Patents and Licenses

Research and Development

Ericsson's total costs for research and development, including development costs related to customer orders of SEK 884 million (SEK 518 million in 1999), included in costs of sales of goods and services amounted to SEK 38,968 million (SEK 28,330 million in 1999). This equals 14 percent of net sales (13 percent in 1999).

During 2000, another SEK 4,811 million (SEK 6,402 million in 1999) of other technical expenses was incurred for product maintenance.

The number of employees active in research and development during the year was 26,800 distributed in R&D centres in 24 countries.

Our R&D activities are focused on wireless and wireline telecommunication products for public and enterprise users as well as consumers.

The product portfolio, ranging from terminals and access products to advanced switching and service nodes, enables us to provide complete end-to-end system solutions. Solutions are complemented by services, ranging from network planning to support for operations.

Our research activities are related to technology necessary for future products as well as to future application requirements for existing products.

Total R&D cost were as follows for the years indicated:

Year	R&D Cost (MSEK)	Percent of net Sales
1996	17,467	14%
1997	20,906	12%
1998	25,189	14%
1999	28,330	13%
2000	38,968	14%

The Ericsson business units have their own R&D programs while new technology platforms are developed centrally.

The R&D spending goes to an increasing extent into the 3rd generation wireless system and IP- and ATM-solutions. The aim is to merge mobility and datacom with realtime performance.

A new generation of platforms has been established during 2000: the TSP platform for servers and CPP for media gateways and the access networks.

Ericsson is now ready to deliver 3rd generation mobile systems to provide customers with Mobile Internet services. A complete WCDMA product portfolio has been developed, including new WCDMA Radio Network Controller, RANOS network management and WCDMA radio base stations. We are preparing for very intense ramping up of delivery and implementation capacity.

Our wireline business has grown in 2000 thanks to ENGINE, our solution for the migration from circuit-switched narrowband networks into the next generation multi-service networks. The second-generation mobile systems remain a very large and profitable market for us, with many new products being launched. A number of new mobile phones were also introduced during the year, such as the first smart phone R380 and the youth phone T20. Ericsson is participating in various European and international research programs and standardisation initiatives, which are strategically important in the converged tele- and datacom world.

Patents and Licenses

Because of our emphasis on research and development and due to the intense competition in the telecommunications industry, we strongly seek to safeguard our investments in technology through adequate patent protection. We have concluded patent cross-license agreements covering broad product areas with major telecommunications companies. Further, we have granted patent and know-how licenses to non-affiliated companies and also acquired patent and know-how licenses within certain technology areas of value to us.

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 for accessing technology through cross-licensing with other companies. At the same time, this focus on patents within converging technologies also means an increased exposure to allegations of the infringement of patents of others.

During 2000, we filed in excess of 1,300 patent applications to protect our intellectual property rights.

Item 5D: Trend Information

Orders booked in 2000 increased by 31 percent driven by a 40 percent increase for systems while mobile phones increased 20 percent and other operations showed some decline. The backlog of orders increased by 21 percent. There were few signs in the end of the year of a slow down for systems, the good order bookings rather indicated a good sales increase also for 2001. For phones, however, a slowdown in demand was noticed in the end of 2000, with excess vendor capacity and increased price competition.

Although sales increased by 27 percent, the inventory increased substantially in 2000 from SEK 26 billion to SEK 44 billion, driven by lower demand for phones and inventory build-up related to component shortages causing incomplete shipments and production supply plus ramp up for planned deliveries in 2001.

The development in early 2001 has confirmed a low demand for phones, due to lower subsidies in Europe and reduced replacement rates. Income effects worsened by continued price competition, inventory write-down and excess capacity costs.

For systems, the demand and shipments of TDMA slowed down more unexpectedly, driven mainly by deteriorating economic conditions and excess capacity among US operators. Demand was also reduced some due to more cautious capital expenditures by operators in Europe due to the financing requirements of 3G including licenses and the need to strengthen their balance sheets in the currently restrictive credit market with high exposure among creditors to the telecom sector. The European effects were offset by strong demand in Asia, particularly China, and Latin America. Demand in Japan was down for PDC systems due to rather fully utilized spectrum and volume investments postponed to 3G. Somewhat increased price pressure was noticed in early 2001. Overall system sales increased by 13 percent in the first quarter, driven by strong sales of GSM and wireline systems. We continue to be the market leader in 2.5 and 3G with the largest number of contracts. Also for “circuit-to-packet” wireline solutions, we are the market leader.

The economic conditions have developed unfavorably and there is a general uncertainty in the market affecting all vendors, which makes it unusually difficult to make reliable forecasts. As a consequence of this uncertainty, and an unfavorable income and cash flow development for the first three months of 2001, and absent any clear signs of a fast recovery, we have implemented certain corrective actions. We have decided to increase the speed and scope of our restructuring of our mobile phones operations, including a partnering with Sony in a 50/50 joint venture. For the systems business, we have decided to implement an efficiency program, aimed at reducing cost by around SEK 20 billion to restore a target level profitability in 2002 also at current business volume, assuming no growth. These activities will also reduce risk and volatility in income and cash flows and protect our equity ratio and credit rating to ensure financial flexibility. Cash flow has been identified as a top priority for all senior managers during 2001. During 2001, our credit rating has been lowered, but we have successfully obtained additional long term bond credits and improved our liquidity.

The impact of potential vendor financing for 3G will not be material during 2001, since it will be related to when we ship equipment in volumes – i.e. in 2003, and, since we so far have committed to financing only in a couple of the more than 30 cases where we are appointed a 3G vendor by operators.

Item 6. Directors, Senior Management and Employees

Item 6A: Directors and Senior Management

Board of Directors

Our Articles of Association stipulate that the Board of Directors shall consist of not less than five and not more than twelve Directors, with not more than six Deputy Directors, elected each year by the shareholders at our Annual Meeting. The term of office for a Director is one year, but a Director may serve any number of consecutive terms. In addition, under Swedish law, employees have the right to appoint three Directors (and their deputies). Our present Directors and Deputy Directors and the year in which each was appointed director is described below:

Apart from Lars Ramqvist, no Director has held any position in the management of Ericsson. No Director has any other principal business activity than the principal directorships listed below and no Director has been elected on account of any arrangement or understanding with a major shareholder, customer, supplier or other person.

Members:

Lars Ramqvist (Born1938) Chairman 1990

Chairman and (until December 31, 2000) CEO. Chairman of the Finance Committee of the Board. Former CEO of Ericsson. 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.

Tom Hedelius (born 1939), Deputy Chairman 1991

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.

Marcus Wallenberg (born 1956), Deputy Chairman 1996

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.

Göran Engström (born 1948), Director 1994

Employee representative.

Niall FitzGerald (born 1945), Director 2000

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

Jan Hedlund (born 1946), Director 1994

Employee representative.

Göran Lindahl (born 1945), Director 1999

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

Per Lindh (born 1957), Director 1995, (Deputy 1994)

Employee representative.

Sverker Martin-Löf (born 1943), Director 1993, (Deputy 1991)

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 Association.

Eckhard Pfeiffer (born 1942), Director 2000

Former President and CEO of Compaq Computer Corp. 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.

Clas Reuterskiöld (born 1939), Director 1994

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

Peter Sutherland (born 1946), Director 1996

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.

Deputy Members:

Monica Bergström (born 1961), Deputy 1998
Employee representative.

Christer Binning (born 1946), Deputy 1994
Employee representative.

Åke Svenmarck (born 1942), Deputy 2000
Employee representative.

Corporate Management

The President, the Chief Executive Officer and the Executive Vice Presidents are appointed by the Board of Directors.

The CEO, the Chief Financial Officer, the Executive Vice Presidents, the Heads of Corporate Functions (incl. the CFO) and the Heads of Specific Business Operations comprise the Ericsson Executive Team (EET). The EET members and the year in which each was appointed is as follows:

Kurt Hellström (born 1943), President (since July 7, 1999) and (since January 1, 2001) Chief Executive Officer.Former Head of Division Mobile Systems.

Sten Fornell (born 1948), Executive Vice President & Chief Financial Officer (2000)
Corporate Function Finance. Former CFO of Division Mobile Systems.

Karl Alsmar (born 1949),
Executive Vice President (2000).
Head of Market Area Central &Eastern Europe, Middle East and Africa. Former President of Ericsson GmbH.

Ragnar Bäck (born 1944),
Executive Vice President (2000).
Head of Market Area Western Europe. Former President of Ericsson Telecomunicazioni S.p.A.

Bengt Forssberg (born 1937),
Former Executive Vice President (1998).
Former Head of Market Area Latin America. Former Head of Corporate Markets. Bengt Forssberg left the company on May 15, 2001.

Per-Arne Sandström (born 1947),
Executive Vice President (2000).
Head of Market Area North America. Former Head of Business Unit Mobile Systems American Standard.

Kjell Sörme (born 1939),
Executive Vice President (1999).
Head of Market Area Asia Pacific. Former President of Ericsson Australia Pty. Ltd.

Mats Dahlin (born 1954),
Executive Vice President (1998).
Head of Division Mobile Systems.
Former Head of Business Unit Global Systems for Telecommunication.

Einar Lindqvist (born 1959),
Executive Vice President (2000).
Head of Division Multiservice Networks.
Former Head of Business Unit Wireline Systems.

Bert Nordberg (born 1956),
Executive Vice President (2000).
Head of Division Global Services. Former Head of Business Unit Ericsson Services.

Michael Thurk (born 1952),
Executive Vice President (2000).
Head of Division Data Backbone & Optical Networks.

Haijo Pietersma (born 1953),
Former Executive Vice President (1998).
Former Head of Division Internet Applications & Solutions.
Haijo Pietersma left the Company on March 31, 2001.

Jan Wäreby (born 1956),
Executive Vice President (1998).
Head of Division Consumer Products. Former Head of Market Area Europe, Middle East and Africa.

Johan Siberg (born 1944),
Executive Vice President (1998).
Head of Corporate Office, Sweden. Former Head of Business Segment Consumer Products.

Carl Olof Blomqvist (born 1951),
Senior Vice President (1999).
Corporate Function Legal Affairs. Former partner of Mannheimer Swartling law firm.

Björn Boström (born 1947),
Senior Vice President (1998).
Corporate Function Supply and IT. Former Head of Production in Business Segment Mobile Systems.

Torbjörn Nilsson (born 1953),
Senior Vice President (1998).
Corporate Function Marketing and Strategic Business Development. Former Head of Strategic Business Development in Business Segment Mobile Systems.

Britt Reigo (born 1943),
Senior Vice President (1988).
Corporate Function People & Culture.
Former Director of Inflight Service, SAS.

Roland Klein (born 1954),
Senior Vice President (2000).
Corporate Function Communications. Former Head of Corporate Communications of Daimler Chrysler.

Jan Uddenfeldt (born 1950),
Senior Vice President (1998).
Corporate Function Technology. Former Head of Technology and worldwide R&D Operations in Business Segment Mobile Systems.

Heads of Specific Business Operations
(members of the EET in 2001):
Bo Andersson (born 1951)
President, Ericsson Microelectronics AB.

Ulf Berg (born 1951),
President, Ericsson Microwave Systems AB.
Former Executive Vice President of Saab Ericsson Space

Bernt Ericsson (born 1945),
Vice President, Ericsson Foresight. Vice President Research Research & Innovations.

Jöran Hoff (born 1943),
President, Business Innovations AB. Former Head of Business Unit New and Special Business Operations.

Janne Sjödén (born 1944),
President, Ericsson Network Technologies. Former Divisional Manager in the Telecom and Power Cables Divisions and President of Ericsson Cables AB.

Lars E. Svensson (born 1950),
President, Ericsson Enterprise AB.
Former Head of Business Unit Enterprise.

Lars Boman (born 1948),
President, Ericsson Internet Applications AB.
Former Vice President, Products & Technology in Business Segment Mobile Systems, Japan.

No Director of the Board or member of the EET has a family relationship with any other Director or EET member.

No Officer has any principal business activities other than those listed above, and no Officer has been appointed on account of any arrangement or understanding with major shareholder, customer, supplier or other person.

Item 6B: Compensation of Directors and Officers

For the year ended December 31, 2000, the aggregate compensation and pension, retirement and similar benefits of all Directors and members of Corporate Management (totalling 25 persons during the year excluding the Heads of the Specific Business Operations) including contingent or deferred compensation accrued for the year was SEK 227,847,303. The compensation was mainly in the form of salaries in the case of the Corporate Management and in the form of Directors' fees in the case of Directors. The amount set aside or accrued by us in 2000 to provide pension, retirement or similar benefits for Corporate Management was SEK 69,3 million.

Our employees, including members of Corporate Management, are covered by various national social service programs to which we contribute.

The Chairman of the Board of Directors received a fee of SEK 2,500,000. The Deputy Directors each received SEK 1,500,000 and the other board members received SEK 500,000 each. The Chairman, Deputies and other Directors serving on a board commitee also received SEK 100,000 each. All fees were determined by the Board of Directors within the limit on board fees approved by the Annual General Meeting of Shareholders.

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. 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 attended meeting was paid to each employee representative on the Board.

The salary paid and the value of benefits to Kurt Hellström in his capacity as President amounts to SEK 16,601,359. Provision has also been made for a bonus to Kurt Hellström of SEK 222,386 earned in 2000.

Executive Vice Presidents and Senior Vice Presidents in Ericsson are entitled to a bonus (Short Term Incentive Plan "STI") with a target pay out level of 20 percent and a maximum of 40 percent of the base salary. The individual objectives vary with regard to each officer's position including Ericsson net income, net income of own unit, TTC and individual goals. The outcome of the STI is determined in each individual case in relation to the achievements as of year-end and is determined and paid out at the beginning of the following year.

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. From this amount, severance pay amounting to SEK 7,007,148 was paid in 2000.

During the first quarter of 2000 a stock option plan was implemented as complementary remuneration to key employees. About 8,000 employees globally participate in the plan and the number of employee options granted was 50.4 million. The employee options are exercisable by 1/3 per year from 1–3 years respectively after the grant and up to 7 years.

The plan is hedged by a new issue of warrants, which if fully utilized, will have a dilution effect on earnings per share of 0.2 percent.

The following rules regarding severance pay and pensions apply to the President, the Executive Vice Presidents and the Senior Vice Presidents. Severance payments are not made if an employee resigns voluntarily, or if employment is terminated as a result of flagrant disregard of responsibilities. Notice of termination given by the employee due to 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 employees 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 and the Executive Vice Presidents and Senior Vice Presidents consists of affiliation with the so-called ITP (collectively bargained general Swedish benefit plan [DB] for private white collar workers) plan or corresponding arrangements.

Our employees' pensions are premium-based. For the portion of salary in excess of 20 basis amounts (1 basis amount = SEK 36,900), we pay to a capital insurance company 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.

The following principles apply to other members of our Executive Team (excluding Heads of Specific Business Operations):

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.

Options 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 employee call options issued by Ericsson	In 3 lots (30/40/30%) after 3, 4 and 5 years, respectively after grant and to year 7	1,800
2000	50.4 million post split 7-year employee warrants issued by Ericsson	In 3 lots, 1/3 per year after 1, 2 and 3 years, respectively after grant to year 7	8,000
2001–2002. Options will be granted in 2001 and 2002	98 million 7-year employee call options issued by Ericsson	In 3 lots, 1/3 per year after 1, 2 and 3 years, respectively	12,000

The options for the 1998 plan were granted in 1999. Grants for the 1999 plan were made on March 1, 2000 and for the 2000 plan on January 17, 2000.

In addition to options issued to employees 6.7 million 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.

Item 6C: Board Practices

Our Board of Directors consists of nine directors elected by the shareholders at the Annual General Meeting for a term of one year each, as well as three employee representatives, each with a deputy, appointed by their respective employee organization for an indefinite term. 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.

The Audit Committee shall consist of three board members appointed by the Board.

The present members are Clas Reuterskiöld, Chairman of the committee, Peter Sutherland and Jan Hedlund. The purpose of the Audit Committeeis to supervise the accounting by the Company and the Group, the application of provisions in existing contracts which stock exchanges and similar arrangements, as well as other rules or recommendations concerning accounting and stock exchange related matters applicable to the Company or the Group.

The Remuneration Committee shall consist of two board members appointed by the Board. The present members are Göran Lindahl, Chairman of the committee, and Sverker Martin-Löf. The Remuneration Committee decides on salary and other remuneration, including pension benefits, to the CEO and the President; salary and other remuneration, including pension benefits, to Executive Vice President's and other officers reporting directly to the President; option programs or similar arrangements and other kinds of remuneration intended to be applied to a wider circle of employees within the Group; and the hiring an employment of the CEO, President and officers reporting directly to the President.

At the Annual General Meeting of Shareholders on March 28, 2001, the shareholders voted for the establishment of a Nomination Committee consisting of representatives of the owners and the Chairman of the Board. The Board of Directors is authorized to appoint the members of the Nomination Committee in co-operation with the owners of the Company. The tasks of the committee are to nominate individuals suitable to be appointed Directors of the Board at the subsequent general meeting. The Nomination Committee shall also prepare and present proposals for directors' fees. The proposals of the Nomination Committee shall be a part of the notice to the general meeting at which the Board members are appointed. None of our directors has a service contract with us or any of our subsidiaries providing for benefits upon termination of employment.

Item 6D: Employees

The following table discloses the number of our employees, broken down by region as of December 31:

	2000	1999	1998
Sweden	42,431	44,040	44,979
Europe (excl. Sweden)	28,068	25,566	28,894
USA and Canada	13,481	12,174	9,832
Latin America	8,457	8,249	7,733
Africa	452	588	405
Middle East	193	749	734
Asia Pacific	12,047	11,924	11,090
Total	105,129	103,290	103,667

At the end of 1999 the number of employees was 103,290. Geographically, the largest increases were in Europe (excluding Sweden), the United States and Canada, and the largest reductions were in Sweden.

The majority of Ericsson's employees in Sweden belong to the Swedish Industrial Association (SIF), affiliated with the Swedish Confederation of Professional Employees (TCO), the Association of Graduate Engineers (CF), affiliated with the Swedish Confederation of Professional Associations, SACO, the Metal Worker's Union (Metall), affiliated with the Swedish Trade Union Confederation LO or to the Association of Supervisors (Ledarna). Central and industry wide agreements, concluded in 2001, on wages and salaries, with an average increase of 3.5–4.0 percent per annum, cover a three year period including part of 2004.

We intend to implement an Efficiency Program in response to the economic slowdown with the objective of saving more than SEK 20 billion per year, beginning in 2002. This program could affect as many as 10,000 employees, more than half outside of Sweden. The actions mean a substantial reduction in the number of consultants from today's level of 15,000, in some areas by over 50 percent.

There are no significant problems with labor unions within Ericsson today.

Item 6E: Share Ownership

Options to Purchase Securities from Registrant or Subsidiaries

No Director or officer owns more than one percent of our A or B shares. None of our directors or officers holds any of our A shares. As a group, our directors and officers held 1,052,769 of our B shares as of January 31, 2001. These B shares have the same voting rights as the rest of our B shares. Options have not been granted to Directors. The number of options granted to our officers listed in Item 6A is 3,044,000.

A stock option program was introduced in 1998 for 500 key persons, who were allotted seven-year Ericsson call options. The size of the allotments depends on our earnings per share and the individual's salary and bonus categories. Based on the same principles, around 2,000 key employees and senior executives received seven-year call-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 2000. In accordance with this resolution 50.4 million employee options (adjusted for a 4:1 split) were issued to approximately 8,000 employees.

At the 2001 Annual General Meeting it was decided to implement a Global Stock Incentive Program comprising a Stock Option Plan and a Stock Purchase Plan.

Under the Stock Option Plan about 12,000 key contributors will obtain employee options during 2001 and 2002. 120,000,000 Ericsson B-shares will be allocated to the Stock Option Plan, including hedging for social security costs.

All employees will be invited to participate in the Stock Purchase Plan. Participating employees will, during a two-year period, be able to save up to 7.5 percent of their gross salary, however not exceeding the equivalent of SEK 50,000 annually, for the purchase of Ericsson B-shares. If the purchased shares are kept by the employee for three years and their employment within the Ericsson Group continues during that time, the employee will be given a corresponding number of shares free of charge. 35,000,000 Ericsson B-shares will be allocated to the Stock Purchase Plan, including hedging for social security costs.

Item 7. Major Shareholders and Related Party Transactions

Item 7A: Major Shareholders

Skandinaviska Enskilda Banken ("SEB") and Svenska Handelsbanken ("SHB") are two major Swedish banking institutions that have wide-ranging affiliations and business relationships in the financial community in Sweden. Certain of our major shareholders are, or may be deemed to be, affiliates of SEB or SHB. We do not believe that we are controlled by SEB or SHB. However, the dominant influence in our company is divided between the so-called SHB interests, with 42.6 (42.5) percent of the voting rights, and the so-called Wallenberg and SEB interests, with 42.4 (41.8) percent. Approximately 34 percent of Ericsson B shares and approximately 500,000 A shares are held in the United States. There are 9,538 shareholders of record in the United States as of May 31, 2001. None of our major shareholders has different voting rights than our other shareholders. The following table sets forth as of December 31, 2000, share information with respect to the thirteen largest shareholders known by us, ranked by percentage of voting rights:

Identity of person of Group	Number of A shares	% of total A Shares	Number of B shares	% of total B Shares	Voting rights percent
AB Industrivärden	186,000,000	28.3		0.0	28.0
Investor AB	147,488,000	22.5	126,018,800	1.7	22.2
Wallenberg-stiftelser	109,172,096	16.6		0.0	16.5
Svenska Handelsbankens Pensionsstiftelse	36,000,000	5.5	5,600,000	0.1	5.4
Livförsäkrings AB Skandia	32,962,932	5.0	43,889,874	0.6	5.0
Pensionskassan SH Försäkringsförening	31,680,000	4.8		0.0	4.8
Oktogonen, Stiftelsen	12,560,000	1.9	343,000	0.0	1.9
SEB-Trygg Liv	12,094,720	1.8	52,500,180	0.7	1.8
SEB-stiftelsen	11,200,000	1.7	122,120	0.0	1.7
Svenska Handelsbankens personalstiftelse	10,000,000	1.5		0.0	1.5
Fjärde AP-Fonden	8,764,000	1.3	293,296,000	4.0	1.4
Svenska Handelsbankens aktiefonder	4,100,000	0.6	46,947,972	0.6	0.6
Wallanders och Hedelius' stiftelse	3,200,000	0.5		0.0	0.5
Foreign ownership*	8,425,103	1.3	4,283,803,333	59.1	1.9
Others	42,571,789	6.5	2,401,595,693	33.1	6.8
Total Capital Stock	656,218,640	100	7,254,116,972	100	100
*of which					
Nats Cumco As Nominee, USA			1,067,329,616	14.7	
Chase Manhattan Bank, USA	31,412	Insignificant	463,711,837	6.4	

"Please note: On June 15, 2001 Investor AB increased their holdings in Ericsson by acquisition of 109,172,096 A shares from Wallenberg-stiftelser."

The following table indicates the significant changes in the percentage ownership held by our major shareholders since January 1, 1998:

Highest % of Shareholder	Lowest % of total A-shares*	Highest % of total A-shares*	Lowest % of total B-shares*	total B-shares*
AB Industrivärden	28.4	26.7	0.0	0.0
Investor AB	22.5	22.5	1.8	1.1
Wallenberg-stiftelser	16.6	16.0	0.0	0.0
SHB pensionsstiftelse	5.6	5.4	0.1	0.1
Skandia AB	5.0	5.0	1.2	0.6
SHB pensionskassa	4.8	4.8	0.0	0.0
Wallander & Hedelius stiftelse	2.4	0.5	0.0	0.0
SEB-stiftelsen	1.7	1.4	0.0	0.0
Oktogonen stiftelse	1.9	1.6	0.0	0.0
SHB personalstiftelse	1.5	1.5	0.0	0.0
Fjärde AP-fonden	1.3	0.3	4.2	1.1
SEB-Trygg Försäkring	1.8	1.3	1.9	0.7
SHB fonder	1.0	0.6	0.9	0.5

* From January 1, 1998 to May 31, 2001

We do not know of any arrangements that might result in a change of our control. As of January 31, 2001, the total amount of the voting securities of the Company owned by officers and directors as a group was:

Identity of person of Group	Number of A shares	Number of B shares	Voting rights, percent
Officers and directors as a group (27 persons)		1,052,769	Insignificant

Item 7B: Related Party Transactions

There is no material related party transaction or arrangement between us and any associate, key management personnel or significant shareholder of the company.

Item 7C: Interest of Experts and Counsel

Not applicable

Item 8. Financial Information

Item 8A: Consolidated Statements and Other Financial Information

Audited financial statements for the three fiscal years ended Decmber 31, 2000 are included at "Item 17. Financial Statements".

For a discussion of our export sales, please see Item 5A.

We experience a number of legal proceedings incidental to the normal conduct of our business. We do not believe that liabilities related to such proceedings are likely to be, in the aggregate, material to our financial condition or results of operations.

Item 8B: Significant Changes

No significant change has occured since the date of the annual financial statements included elsewhere in this annual report.

Item 9. The Offer and Listing

Item 9A: Offer and Listing Details

At December 31, 2000 the number of shares issued by us was as follows:

	Number of shares	Percent of share capital	Percent of voting rights
A shares	656,218,640	8.30	98.91
B shares	7,254,116,972	91.70	1.09
Total	7,910,335,612	100.00	100.00

The nominal value of each share is SEK 1.00.
The A shares and the B shares have equal rights of participation in our net assets and earnings. All A shares have one vote per share and all B shares have one one-thousandth of a vote per share. Our 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. In the United States, the B shares are traded on the Nasdaq National Market "NASDAQ" in the form of American Depositary Shares (ADSs) evidenced by American Depositary Receipts (ADRs). Each ADS represents one B share.

The ADRs are issued by Citibank, N.A., New York, acting as Depositary, upon deposit of B shares or evidence of rights to receive B shares with Citibank, N.A. in New York or with Skandinaviska Enskilda Banken or Svenska Handelsbanken in Stockholm, Sweden, acting as agents of the Depositary. According to information provided by Citibank, there were 1,154,689,616 ADSs outstanding as of December 31, 2000 and 9,331 registered holders of such ADSs. A significant number of the ADSs are held of record by broker nominees. The majority of ADRs are held at the beneficial shareholder level (i.e. banks, brokers and/or nominee accounts). As of December 31, 2000, this level is represented by over 400,000 accounts.

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), evidenced by American Depositary Receipts (the ADD Receipts), on the Nasdaq system. Citibank, N.A., NEW YORK issued the ADD Receipts, acting as Depositary, upon deposit of Debentures with Citibank, N.A. in New York.The convertibles and the ADDs carried rights of conversion into our B shares. The last day for conversion was May 31, 2000. The 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.

According to information known to us, approximately 90 percent of our A and B shares at year-end 2000, were owned by Swedish and international institutions. Of these 90 percent, approximately 9 percent were A shares and approximately 91 percent were B shares. At the end of 2000, about 55 percent of the shares (mostly B shares) were held outside Sweden, including shares represented by ADRs.

Host market and the Principal trading market

NASDAQ ADS Prices

The tables below state the high and low sales prices quoted for our ADSs on NASDAQ for the last five years, the four quarters of 1999, the four quarters of 2000, the first quarter of 2001, and the most recent six months. The NASDAQ quotations represent prices between dealers, not including retail mark-ups, markdowns or commissions, and do not necessarily represent actual transactions.

OM Stockholm Stock Exchange Share prices

The tables below state the high and low sales prices for our A and B shares as reported by the OM Stockholm Stock Exchange for the last five years, the four quarters of 1999, the four quarters of 2000, thye first quarter of 2001, and the most recent six months. The equity securities listed on the A-list of the OM Stockholm Stock Exchange Official Price List of Shares currently comprise the shares of 80 companies. Trading on the exchange generally continues until 5:30 p.m. each business day. In addition to official trading on the exchange, there is also trading off the exchange during official trading hours and also after 5:30 p.m. Trading on the exchange tends to involve a higher percentage of retail clients, while trading off the exchange often involves larger Swedish institutions, banks arbitrating between the Swedish market and foreign markets, and foreign buyers and sellers purchasing shares from or selling shares to Swedish institutions.

The exchange publishes a daily Official Price List of Shares which includes the volume of recorded transactions in each listed stock, together with the prices of the highest and lowest recorded trades of the day. The Official Price List of Shares reflects price and volume information for trades completed by the members.

London Stock Exchange Share prices

The tables below state the high and low sales prices four our B shares as reported by the London Stock Exchange for the last five years, the four quarters of 1999 and the four quarters of 2000 and the last six months of 2000.

Annual high and low market prices

The annual high and low market prices, currency and Stock on these markets were as follows:

	NASDAQ United States (The number of shares represented by ADSs)		OM Stockholm Stock Exchange Sweden				LSE (London Stock Exchange)	
	USD per ADS		SEK per A share		SEK per B share		SEK per B share	
Year	High	Low	High	Low	High	Low	High	Low
1996	3.971	2.172	27.00	15.00	27.00	14.00	26.37	14.94
1997	6.328	3.578	49.00	26.00	48.00	26.00	46.87	25.94
1998	8.500	3.750	56.00	34.00	67.00	30.00	65.87	30.50
1999	16.813	5.125	144.00	48.00	143.00	44.00	137.25	43.87
2000	26.310	10.375	235.00	105.00	231.00	101.00	228.75	105.50

Quarterly high and low market prices

The table below states for each quarter of 1999 and 2000, and for the first quarter of 2001, high and low sales prices, currency and Stock.

	NASDAQ United States (The number of shares represented by ADSs)		OM Stockholm Stock Exchange Sweden				LSE (London Stock Exchange)	
	USD per ADS		SEK per A share		SEK per B share		SEK per B share	
Period	High	Low	High	Low	High	Low	High	Low
1999 First Quarter	7.297	5.125	60.00	48.00	57.00	44.00	55.87	43.80
1999 Second Quarter	8.531	5.938	74.00	52.00	71.00	49.00	70.75	50.60
1999 Third Quarter	8.813	6.875	77.00	62.50	72.00	59.00	71.87	58.80
1999 Fourth Quarter	16.813	7.688	144.00	67.00	143.00	63.00	137.25	64.00
2000 First Quarter	26.313	13.750	235.00	117.50	230.50	115.00	228.75	128.00
2000 Second Quarter	23.375	17.000	211.00	167.00	210.00	162.00	206.25	164.00
2000 Third Quarter	23.438	14.500	208.50	145.00	210.50	144.00	209.50	146.50
2000 Fourth Quarter	16.266	10.375	160.00	105.00	159.50	101.00	154.00	105.50
2001 First Quarter	13.500	5.000	126.00	58.00	122.00	54.50	118.50	56.50

Monthly high and low market prices

The table below states high and low sales prices, currency and Stock for the last six months.

	NASDAQ United States (The number of shares represented by ADSs)		OM Stockholm Stock Exchange Sweden				LSE (London Stock Exchange)	
	USD per ADS		SEK per A share		SEK per B share		SEK per B share	
Month	High	Low	High	Low	High	Low	High	Low
November 2000	14.188	10.563	142.00	108.00	141.00	105.00	138.50	111.00
December 2000	13.875	10.375	136.00	105.00	134.00	101.00	131.50	105.50
January 2001	13.500	10.063	126.00	101.00	122.00	96.00	118.50	97.50
February 2001	11.938	7.594	116.00	80.50	114.00	75.50	111.50	78.00
March 2001	9.594	5.000	97.50	58.00	93.50	54.50	92.00	56.50
April 2001	7.170	4.750	72.50	51.00	69.50	48.40	69.00	51.50

Item 9B: Plan of Distribution

Not applicable

Item 9C: Markets

Our Series A and Series B shares are traded on the OM Stockholm Stock Exchange, and our Series B shares are also traded on the exchanges in Düsseldorf, Frankfurt, Hamburg, London and Paris, and on the "Swiss Exchange" in Switzerland. Our 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.

Our 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 in 1999) percent were traded on the OM Stockholm Stock Exchange, 31 (22 in 1999) percent via the NASDAQ exchange and 24 (29 in 1999) percent on the London Stock Exchange. Trading on other exchanges amounted to approximately 1 percent of the total, unchanged from the previous year.

Item 9D: Selling Shareholders

Not applicable

Item 9E: Dilution

Not applicable

Item 9F: Expenses of the Issue

Not applicable

Item 10. Additional Information

Item 10A: Share Capital

Not applicable

Item 10B: Memorandum and Articles of Association

Our Articles of Association do not stipulate anything regarding a) directors power to vote on a proposal, arrangement, or contract in which the director is materially interested, b) our directors' power to vote compensation to themselves, c) our directors' borrowing powers, d) retirements rules for our directors or e) the number of shares required for a director's qualification. Applicable provisions are found in the Swedish Companies Act.

Articles of Association

Set forth below is a summary of the material provisions of our Articles of Association (the "Articles") and the Swedish Companies Act relating to the shares. This description does not purport to be complete and is qualified in its entirety by reference to Swedish statutory law and to the Articles.

Share Capital and Corporate Purpose

Ericsson is registered in the Swedish Companies Register under the number 556016-0680. The objects of the company are to carry on workshops business and trade; to acquire, set up, carry on and trade in electric and other plants; and to carry on other activities consistent therewith.

Our share capital is comprised of a minimum of SEK 6 billion and a maximum of SEK 24 billion, each share with a par value of SEK 1. As of June 11, 2001, 656,218,640 Class A shares and 7,409,268,248 B shares were outstanding.

Share Capital Increased and Preferential Rights of Shareholders

If Ericsson decides to issues new Class A and Class B shares by means of a cash issue, A and B shareholders have a primary preferential right to subscribe for new shares of the same type in relation to the number of shares previously held by them. Shares not subscribed for through a preferential right shall be offered to all shareholders for subscription on a pro rata basis. Shareholders may vote to waive shareholders' preferential rights at a general meeting.

Election of our Board of Directors

In addition to specially appointed members and deputies, our Board of Directors must have a minimum of five directors and can have a maximum of twelve directors, with a maximum of five deputies. All directors are elected each year at the annual general meeting for the period up to and inclusive of the following annual general meeting. Cumulative voting is not permitted.

Certain Powers of Directors

The board of directors is charged with the organization of the company and the management of the company's operations and the executive officers are charged with the day-to-day management of the company in accordance with any guidelines and instructions provided by the board of directors. The executive officers thus have borrowing powers only to the extent such borrowing is part of the day-to-day management of the company and in accordance with any guidelines and instructions provided by the board of directors.

There are no age limit requirements for directors and they are not required to own any shares of the company.

According to the Swedish Companies Act of 1975, a member of the board of directors and the managing director may not take par tin discussions involving matters regarding agreements, litigation or other legal proceedings between the director and the company, between the company and third parties where the director has a material interest in the matter which may conflict with the interests of the company, or agreements between the company and a legal entity which the director may represent, either individually or together with any other person.

The directors may not vote on compensation to themselves or any other members of the board of directors.

Dividends

Our Class A and B shareholders have the same right to dividend, while Class C shares have the right to a dividend each year 360 days STIBOR from April 30 one year to April 30 the next year and calculated on the nominal value of the company share.

Under Swedish law, only a general meeting of shareholders may authorize the payment of dividends, which may not exceed the amount recommended by the board of directors, except that in the event a demand is made by holders of at least 10% of the total number of shares outstanding, a dividend of at least 50% of the net profits for the fiscal year remaining after certain deductions and with certain limitations must be declared. Under Swedish law, no interim dividends may be paid in respect of any fiscal period for which audited financial statements of the company have not been adopted at the annual general meeting of shareholders of the company. In a decision to issue new shares shall be specified from which time the new shares are entitled to receive dividends. The right to receive dividends shall, however, commence no later than for the fiscal year during which the shares shall have been fully paid. Any person entered in the share register or in a list pursuant to Section 3, § 12 of the Swedish Companies Act (1975:1385) on the stipulated recording date shall be deemed to be entitled to receive a dividend, and, in the event of a bonus issue, new shares due to the holder and to exercise the shareholder's preferential right to take part in the issue. The right to receive a dividend lapses after ten years, after which the company is entitled to the dividend in question.

Voting

In a general meeting, each Class A share shall carry one vote and each Class B and Class C share one thousand of one vote. In all other respects, our Class A, B and C shareholders have the same rights.

We are required to publish notices to attend annual general meetings and extraordinary general meetings wherever an issue relating to a change in the Articles will be dealt with no earlier than six weeks and no later than four weeks prior to such general meeting. Notices to attend other types of extraordinary general meetings must be issued no earlier than six weeks and no later than two weeks prior to the general meeting.

A shareholder may attend and vote at the meeting in person or by proxy. Any shareholder wishing to attend a general meeting must notify us no later than 1600 hours on the day specified in the notice to attend the general meeting. We are required to accept all notifications through at least five business days prior to the meeting. A person designated in the register as a nominee (including the depositary of the ADSs) is not entitled to vote at a general meeting, nor is a beneficial owner whose share is registered in the name of a nominee (including the depositary of the ADSs) unless the beneficial owner first arranges to have such owner's own name entered in the register of shareholders no later than on the record day.

Under the Swedish Companies Act of 1975, resolutions are normally passed by a simple majority of votes cast. Exceptions include; (i) resolutions to waive shareholder preferential rights in connection with an issue of new shares or to reduce the share capital or to approve a merger, each of which require a qualified to-thirds majority of the votes cast as well as at least two-thirds of the shares represented at the general meeting; (ii) resolutions which restrict the transferability of shares, or limit the number of shares in respect of which a single shareholder may vote, or which deal with certain other special matters, in which case a minimum quorum and a larger majority, or in some cases unanimity, is required; (iii) resolutions which alter the Articles in other respects, for which a majority consisting of at least two-thirds of the shares represented at the meeting and of the votes cast is required; (v) resolutions whereby the legal rights of certain shares would be adversely affected for which, in addition to (iii) above, the approval of all holders of such shares represented at the meeting and representing at least nine-tenths of all such shares is required; and (v) resolutions whereby the legal rights of an entire class of shares would be adversely affected, for which, in addition to (iii) above, the approval of the holders of at least half of all the shares of such class and of nine-tenths of the shares of such class represented at the meeting is required.

A shareholder or proxy for one or more shareholders may at any general meeting of shareholders cast the full number of votes represented by such holder's shares.

Investment Restrictions

There are no general rules specifically aimed at limiting foreigners' rights to purchase, own or sell securities issued by Swedish corporations.

As a general rule, Swedish securities may be freely sold to and owned by nationals from other countries. However, there are certain flagging and ownership examination rules that apply, irrespective of nationality.

The Swedish Financial Instruments Trading Act provides that any person, foreign or Swedish, who has acquired or transferred shares in a Swedish limited liability company that has issued shares which are registered on a securities exchange within the EEA or are, without being registered, listed on a securities exchange or an authorized market-place in Sweden, shall within seven days thereafter report in writing the acquisition or the transfer to the company and the Swedish securities exchange or authorized market-place where shares in the company are listed or, if the shares are not listed in Sweden, to the Swedish financial Supervisory Authority (the FSA), if:

a) the acquisition results in the acquirer's share of the number of votes for all shares in the company reaching or exceeding any of the thresholds, 10, 20, 33.33, 50 and 66.67%, or

b) the transfer result in the transferor's share of the number of votes for all shares in the company falling below any of the thresholds described in (a) above.

Please note, in connection with the above, that shares owned by persons and companies that are affiliated to or are acting in concert with the acquirer or the transferor shall be treated as if the shares were the acquirer's or transferor's own.

It is prevailing market practice on the Swedish securities market pursuant to self-regulation that any person, who holds 5% or more of the capital and/or voting rights in a company, that acquires or transfers shares and/or forms of securities that can be converted into or exchanged into shares in a listed Swedish limited liability company shall make an announcement when his holding increases or decreases above or below 5% of the share capital or the total number of voting rights in the company, as well as above or below each subsequent 5% threshold up to a 90% level. This market practice is based on a recommendation issued by the Swedish Industry and Commerce Stock Exchange Committee (NBK), which is incorporated in the OM Stockholm Exchange listing agreement and therefore binding on companies with shares

Item 10C: Material Contracts

We are party to no material contracts other than contracts entered into in the ordinary course of business.

Item 10D: Exchange Controls

There is no Swedish legislation affecting a) the import or export of capital or b) the remittance of dividends, interest or other payments to nonresident holders of our securities except that, subject to the provisions in any tax treaty, dividends are subject to withholding tax.

The defense industry is subject to licensing requirements in Sweden. The licenses granted by the governmental authorities in Sweden in relation to the defense industry provide that the production of defense equipment may be carried on as long as Swedish legal entities or persons hold the ultimate control of the parent company. In this context, control relates to the holding of the majority of the voting power of the outstanding shares. Such control of the parent company is now held by Swedish legal entities and persons and the Company must report any change, which could result in a change from Swedish control to foreign control. Further, the president of the Company and at least 50 percent of the members of the board of directors and their deputies must be Swedish citizens domiciled in Sweden. In case of non-compliance with the requirements under a license, the governmental authorities may reconsider the license or its terms.

In order to be entitled to attend and vote at a general meeting of shareholders, a shareholder must be registered in the share register on the record date, which is 10 days prior to the date of the general meeting. A record holder of ADSs may only exercise the voting rights pertaining to the B shares represented by the ADSs if such holder is registered in the share register on the record date. The beneficial owner of ADSs can arrange to have its own name temporarily entered in the share register for this purpose. Under Swedish law, the Depositary may not exercise the voting rights pertaining to the B Shares represented by ADSs. The Articles of Association provide that a shareholder must give notice to Ericsson of his or her intention to attend the meeting not later than the date specified in the notice convening the meeting (a date not earlier than the fifth day preceding the meeting). A shareholder may attend and vote at the meeting in person or by proxy.

Item 10E: Taxation

General

The following discussion of U.S. federal and Swedish income tax consequences is intended only as a general summary and does not purport to be a complete analysis or listing of all potential tax effects relevant to ownership of Ericsson's B shares represented by ADSs evidenced by ADRs or of ADDs or Debentures. The statements regarding U.S. federal income tax and Swedish tax laws set forth below are based on the laws in force as of the date of this annual report and may be subject to any changes in United States or Swedish law, and in any double taxation convention or treaty between the United States and Sweden, occurring after that date.

The following summary outlines certain U.S. federal income tax consequences and certain Swedish tax consequences to a holder of ADRs or ADDs who (a) is either (i) an individual who is a citizen or resident of the United States for United States federal income tax purposes, (ii) a corporation or certain other entities organized under the laws of the United States or any state thereof or the District of Columbia, or (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of the trust, (b) is not (and has not at any time during the prior 10 years been) a resident of Sweden for purposes of the Treaty (as defined below) and is entitled to Treaty benefits under the limitation on benefits article contained therein, (c) does not have a permanent establishment or fixed base in Sweden, (d) holds the Shares, ADSs, ADDs or Debentures, as the case may be, as a capital asset, and (e) has the U.S. dollar as its functional currency, such holder satisfying points (a) through (e) hereafter referred to as a "U.S. Holder". Because this summary is not exhaustive of all possible tax considerations (such as those applicable to non-U.S. persons, insurance companies, tax-exempt institutions, financial institutions or taxpayers who are dealers or whose functional currency is not the U.S. dollar), holders of ADSs or ADDs who are subject to taxation in the United States are strongly urged to consult their own tax advisors as to the overall United States federal, state and local tax consequences, as well as to the overall Swedish tax consequences, of their ownership of ADSs and the underlying B shares or ADDs. Other holders of ADSs or ADDs are also urged to consult their own tax advisors as to the overall tax consequences of their ownership of such ADSs and the underlying B shares or ADDs.

For the purposes of both the Convention between the United States and Sweden for the avoidance of double taxation in the case of income taxes and taxes on property, as amended (the "Treaty"), and the United States Internal Revenue Code of 1986, as amended (the "Code"), U.S. Holders of ADSs will be treated as the owners of the underlying B shares. The U.S. federal income tax consequences to holders of ADSs, as discussed below, apply as well to holders of B shares. Holders of ADDs will be treated as the owners of the underlying Debentures that are represented by such ADDs. The U.S. federal income tax consequences to holders of ADDs, as discussed below, apply as well to holder of Debentures.

Taxation of dividends

For U.S. federal income tax purposes, the gross amount of any distribution paid (including any Swedish withholding tax thereon, as discussed below) to U.S. Holders of ADSs will be treated as a dividend and taxed as ordinary income to such Holders in the taxable year in which such dividend is received (which, in the case of a U.S. Holder of ADSs, will be the taxable year of receipt by the Depositary) to the extent paid or deemed paid out of Ericsson's current or accumulated earnings and profits as calculated for U.S. federal income tax purposes. Such dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations with respect to dividends received from other U.S. corporations. Such dividend will generally constitute foreign source "passive" or (in the case of certain holders) "financial services" income for U.S foreign tax credit purposes. The amount of any dividend paid in a non U.S.-currency will be the U.S. dollar value, determined at the applicable spot rate, of the payment at the time it is included in income (as discussed above) regardless of whether the payment is in fact converted into U.S. dollars. The non-U.S. currency received as dividends will have a tax basis equal to the U.S. dollar value included in income.
A U.S Holder will generally be required to recognize U.S source ordinary income or loss upon the sale or disposition of the non-U.S. currency unless such U.S. Holder converts the foreign currency payment on the sale of receipt.

In general, under Swedish tax law, dividends paid by a Swedish corporation such as Ericsson to non-residents of Sweden are subject to Swedish withholding tax at a rate of 30 percent. However, pursuant to the Treaty, dividends paid by Ericsson to a U.S Holder will generally be subject to Swedish withholding tax at a reduced rate of 15 percent.

Subject to certain conditions and limitations, Swedish withholding taxes imposed upon dividends at the Treaty rate of 15 percent will be treated as foreign taxes eligible for credit against such holder's U.S. federal income tax liability. In lieu of a credit, a U.S. Holder who itemizes deductions may claim as deduction all of such holder's foreign taxes paid within the taxable year. A deduction does not reduce tax on a dollar-for-dollar basis like a tax credit. The deduction is not subject to the limitations applicable to foreign tax credits, but is available only for taxable years in which the U.S. Holder does not elect the benefit of the foreign tax credit with respect to any foreign taxes.

Taxation of interest payments on ADDs

Sweden does not impose any withholding tax on interest payments made by a Swedish corporation to persons not resident in Sweden. For U.S. income tax purposes, the interest paid to U.S Holders of ADDs will be treated as ordinary income to such holders. The amount of the interest payment will be the dollar value, determined at the applicable spot rate, of the payment on the date such payment is received (which, in the case of U.S Holders of ADDs, will be the date of receipt by the Depositary), regardless of whether the payment is in fact converted into dollars. Any non-U.S. currency received as interest will have a tax basis equal to their dollar value at the time included in income.
A U.S Holder will generally be required to recognize U.S source ordinary income or loss upon the sale or disposition of the non-U.S. currency.

Amortizable bond premium does not include any amount that is attributable to the conversion feature of a convertible bond. Accordingly, if a taxpayer holds an ADD with a basis in excess of the amount payable thereon at maturity, such excess will not constitute amortizable bond premium to the extent such excess is attributable to the conversion feature of the ADD. U.S Holders are urged to consult their tax advisers with respect to the application of the amortizable bond premium rules.

Tax of sale or other disposition

For U.S. federal income tax purposes, a U.S Holder will recognize capital gain or loss on any sale or exchange of ADSs or ADDs, and such gain or loss will be long-term capital gain or loss if, at the time of the sale or exchange, the ADSs or the ADDs (as the case may be) have been held for more than one year. Any such gain will generally be U.S source gain. The deductibility of capital losses is subject to significant limitations. If the U.S. Holder is an individual capital gains, if any, generally will be subject to U.S. federal income taxation at preferential rates if specified minimum holding periods are met. In general, under the Treaty, a U.S Holder who is a resident, corporation or other entity of the United States and who does not have a "permanent establishment" in Sweden and furthermore who is not also a resident for tax purposes in Sweden will not be subject to Swedish tax on any capital gain derived from the sale or exchange of ADSs or the underlying B shares or of ADDs or the underlying Debentures. An individual resident of the United States that was formerly a resident of Sweden may, however, be taxed by Sweden on such gains for a period of 10 years following cessation of a Swedish residency.

Taxation of conversion of ADDs or Debentures

Subject to the discussion below, conversion of ADDs into B shares by a U.S Holder will not be a taxable transaction for U.S. federal income tax purposes and U.S. Holders that are not otherwise subject to tax in Sweden will not be subject to any Swedish tax on such conversions. Upon the conversion of a Debenture or ADD into B shares, a U.S. Holder will recognize foreign currency gain or loss with respect to principal and accrued interest, but only to the extent of the total gain or loss realized on the Debenture or ADD. The basis of each B share acquired upon conversion of an ADD will equal the pro rata portion of the basis of the ADD converted in exchange for such share, (adjusted for the amount of any foreign currency gain or loss), and the holding period for such share will include the holding period of the converted ADD.

Constructive dividend

Adjustments to the conversion price of conversion rate of the Debentures and ADDs, or the failure to make such adjustments, may under certain circumstances be deemed to be payment of a taxable dividend to U.S. Holders of Debentures and ADDs.

Estate and gift taxes

In general, a transfer of an ADS, B share, ADD or Debenture by gift or by reason of the death of the owner is subject to Swedish gift or inheritance tax, respectively, with the applicable progressive rates varying from 10 percent to 30 percent of the taxable amount, depending on the relationship of the donee or beneficiary to the donor or the deceased. The taxable amount is determined after certain deductions.

Such transfers of an ADS, B share, ADD or Debenture would be subject to gift tax if the donor or donee was a Swedish citizen or the donor was domiciled in Sweden or married to a Swedish citizen and had emigrated from Sweden less than 10 years before the gift. Gifts made by legal entities and gifts made to Swedish legal entities are also subject to such tax. If the ADS, B share, ADD or Debenture was classified among fixed or current assets of a business activity run in Sweden by the donor, the transfer would also be subject to Swedish gift tax as a general rule. Such transfers of an ADS, B share, ADD or Debenture would be subject to Swedish inheritance tax if the decedent was a Swedish citizen or domiciled in Sweden or was married to a Swedish citizen and had emigrated from Sweden less than 10 years before the death. If the ADS, B share, ADD or Debenture was classified among fixed or current assets of a business activity run in Sweden by the decedent, the transfer would also be subject to Swedish estate tax as a general rule.

Under the current treaty between Sweden and the United States for the avoidance of double taxation in the case of estate, inheritance and gift taxes (the "Estate Tax Treaty"), the transfer of an ADS, B share, ADD or Debenture by a citizen or domiciliary of the United States who is not a Swedish citizen, as defined in the Estate Tax Treaty, by gift or by reason of the death of the owner is generally not subject to Swedish gift or inheritance tax, unless such ADS or B share (1) forms part of the business property of a permanent establishment situated in Sweden or (2) pertains to a fixed base situated in Sweden and is used for the performance of independent personal services. In cases where the transfer of an ADS, a B share, an ADD or a Debenture by a citizen or domiciliary of the United States who is not a Swedish citizen by gift or by reason of the death of the owner is subject to both Swedish and U.S. estate or gift tax, the Estate Tax Treaty generally provides that the U.S. will allow as a credit against United States tax imposed with respect to the transfer an amount equal to the tax paid to Sweden with respect to such transfer. In cases where a transfer is subject to estate or gift tax in the United States by reason of the transferor's domicile, and subject to Swedish gift or inheritance tax by reason of the transferor's citizenship, the Estate Tax Treaty requires Sweden to allow a credit for United States tax paid in respect of such a transfer.

Swedish taxes on transfer of property

Currently there is no transfer tax or similar tax on trading in shares and certain other equity-related or debt-related securities in Sweden.

In general, under the Treaty, a holder of ADSs or ADDs who is a resident, corporation or other entity of the United States will not be subject to Swedish taxes on property unless such ADSs or ADDs (as the case may be) are included in a business carried on in Sweden.

U.S. information reporting and backup withholding

In general, information reporting requirements will apply to amounts paid in respect of the ADSs or ADDs and proceeds received upon the sale, exchange or redemption of the ADSs or ADDs within the United States by noncorporate Holders, and a 31 percent backup withholding tax may apply to such amounts if such a Holder fails to provide an accurate taxpayer identification number or certificate of foreign status or any other required certification, or establish an exemption from backup withholding. Certain exempt recipients (such as corporations) are not subject to these information reporting requirements. U.S. persons who are required to establish their exempt status generally must file Internal Revenue Service Form W-9 ("Request for Taxpayer Identification Number and Certification"). Non-U.S. holders generally will not be subject to U.S. information reporting or backup withholding. However, such holders may be required to provide certification of non-U.S. status in connection with payments received in the United States or through certain U.S.-related financial intermediaries. Finalized Treasury regulations have generally expanded the circumstances under which U.S. information reporting and backup withholding may apply.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a Holder's U.S. federal income tax liability. A Holder may obtain a refund of any excess amount withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

United States state and local taxes

In addition to U.S. federal income tax, U.S. Holders may be subject to U.S. state and local taxes with respect to their ADSs, ADDs or Debentures, and are therefore urged to consult their own tax advisors in such regard.

Item 10F: Dividends and Paying Agents

Not applicable

Item 10G: Statement by Experts

Not applicable

Item 10H: Documents on Display

Documents concerning us that are referred to in this annual report may be inspected at our headquarters at Telefonvägen 30, Stockholm, Sweden.

Item 10I: Subsidiary Information

Not applicable

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Treasury and financial risk management

We have a financial policy approved by the Board of Directors regulating the management of financial risks. To support this, we have 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 companies in our group. Risks are hedged through Ericsson Treasury Services, which in turn manages our group's exposure centrally within risk limits given by the Board.

Stock option programs for employees have created an exposure for us 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.

Financial instruments

Our use of financial instruments stems from a need to finance business operations, manage liquidity and hedge financial exposures arising from business operations.

Primary instruments:

- Interest-bearing assets and liabilities
- Non-interest-bearing current receivables and liabilities in foreign currencies
- Investment in shares in foreign currencies in subsidiaries and associated companies
- Other investments in foreign currencies

Derivative instruments:

- Foreign exchange forward contracts
- Currency options
- Currency swaps
- Forward rate agreements (FRA)
- Interest-rate swaps
- Interest-rate futures

Derivative instruments are generally used to limit volatility and to protect earnings from fluctuations in the financial markets.

Ericsson classifies 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

We report 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

We are 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 us compared to our competitors with costs denominated in Euro. Normally, we do not hedge economic exposure.

Transaction exposure

An analysis of net exposures for our 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.

We 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 we also have a net revenue exposure (such as Japanese Yen, British Pounds, Thai Baht and others).

Table 1—Net risk in currency derivatives, SEK billions.

Type of instrument	2000	1999
Forward Exchange Contracts	4.96	3.81
Net Risk	4.96	3.81

Net risk in currency derivatives expressed as the effect of a five percent change in exchange rates between the Swedish Krona and all other currencies, as of December 31, 2000.

Translation exposure

As we have many subsidiaries operating outside of Sweden, the value in Swedish Krona of our 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 rate risk management

We are 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. We hedge our interest rate exposure by using derivative instruments, such as forward rate agreements, interest rate swaps and futures.

Table 2—Net risk in interest rate derivatives, SEK millions.

Type of instrument	2000	1999
Forward Rate Agreements and Interest Rate Forwards	96.8	83.1
Interest Rate Swap Contracts	159.1	212.8
Interest Rate Futures	48.9	3.3
Net Risk	304.7	152.3

Net risk in interest rate derivatives expressed as the effect of a change of one percentage point in interest rates as of December 31, 2000.

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

Table 3—Interest bearing financial assets and liabilities (%), as of December 31, 2000.

Assets—SEK 48.5 billion	2000
Long-Term	20.2
Short-Term	73.4
Deposits with Associated Companies	6.4
Total	100.0

Assets – 100 percent floating rate interest.

Liabilities—SEK 46.6 billion	2000
Long-Term	46.8
Short-Term	33.2
Pensions	20.0
Total	100.0

Liabilities – 99.7 percent floating rate interest.

Credit risk

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

Customer financing risk management

Our credit approval process requires that all major customer-financing commitments involve the Finance Committee of the Board of Directors. We work 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 billion, of which SEK 10.0 billion were on-balance sheet for our 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.

Table 4—Total risk, split by geographical area and category (%), as of December 31, 2000.

Geographical Area – SEK 153.0 billion	2000
Western Europe	41.2
Eastern & Central Europe, Middle East & Africa	10.2
North America	17.6
Latin America	17.9
Asia Pacific	13.1
Total	100.0

Category – SEK 153.0 billion	2000
Equity	33.7
Accounts Receivable External	8.3
Accounts Receivables Subsidiaries & Associated Companies, & Internal Lending	50.4
Guarantees Customer Financing	7.4
Bank Lending Support	0.2
Total	100.0

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.

Table 5—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

We maintain 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 our 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.

Table 6—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

Our 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, our policy stipulates that the greater part of borrowings should be long-term or covered by long-term credit facilities.

Table 7—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 our rating outlook from stable to negative. During 2001 the ratings shown in Table 7 have been changed. See table 8 for ratings as of May 31, 2001. Moody's rating outlook for Ericsson is stable. Standard & Poor's is negative.

Table 8—Ratings, as of May 31, 2001

Rating agency	Long-term	Short-term
Moody's	A3	P-2
Standard & Poor's	A–	A-2

Item 12. Description of Securities Other Than Equity Securities

Not applicable

Part II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None

Item 15

Reserved

Item 16

Reserved

Part III
Item 17. Financial Statements

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Report of Independent Accountants

All other schedules have been omitted, as they are not required under the applicable instructions.

The separate financial statements of companies owned 50 percent or less accounted for by the equity method, have been omitted. This is because the Registrant's proportionate share of the income from continuing operations before income taxes, and total assets of each such company, is less than 20 percent of the respective consolidated amounts, and the investment in and advances to each company is less than 20 percent of consolidated total assets.

Item 18. Financial Statements

We have responded to "Item 17. Financial Statements" in lieu of responding to this item.

Item 19. Exhibits

Exhibit 1
Translation of the Articles of Association

Exhibit 2(a)
See Exhibit 1 and the Swedish Companies Act.

Exhibit 2(b)
Prospectus of the convertible debenture 1997/2003

Exhibit 3
Not applicable

Exhibit 4(a)
Not applicable

Exhibit 4(c)
Not applicable

Exhibit 5
Not applicable

Exhibit 6
Calculation of Earnings per share

Exhibit 7
Key ratios, definitions

Exhibit 8
List of the Company's subsidiaries

Exhibit 9
Not applicable

See Item 17 for Financial Statements filed as part of this Annual Report

Consolidated Income Statement

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

	2000	1999	1998
*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
		50,506	51,359
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
		199,808	151,269
Total assets		250,314	202,628
Assets pledged as collateral	20	435	2,068

Consolidated Balance Sheet

December 31, SEK m.	Note	2000	1999
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 liabilities[1]		250,314	202,628

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

Contingent liabilities	21	11,184	10,127

Consolidated Statements of Cash Flows

Years ended December 31, SEK m.	Note	2000	1999	1998
Operations	22			
Net income		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	22			
Changes in current liabilities to financial institutions, net		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		2,018	–	–
Repurchase of own stock		–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

Parent Company Balance Sheet

December 31, SEK m.	Note	2000	1999
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.

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
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	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-downs[1]			
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]

[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

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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

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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.

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Inventories

	Consolidated 2000	Consolidated 1999	Parent Company 2000	Parent Company 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 2000	Consolidated 1999	Parent Company 2000	Parent Company 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.

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Receivables and payables – subsidiaries

Parent Company	2000	1999
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 2000	Consolidated 1999	Parent Company 2000	Parent Company 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

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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 convertable 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 2000	Consolidated 1999	Parent Company 2000	Parent Company 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 2000	Consolidated 1999	Parent Company 2000	Parent Company 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 STIBOR[1] 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 unutilized commercial paper and medium term note programs amounting to SEK 16,517 m.

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Other current liabilities

	Consolidated 2000	Consolidated 1999	Parent Company 2000	Parent Company 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 2000	Total 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 2000	Total 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.

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Contingent liabilities

	Consolidated 2000	Consolidated 1999	Parent Company 2000	Parent Company 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.

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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

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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

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 Financial leases	Operating 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.

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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	–
	6,981	4,304	3,499
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
	4,606	1,195	1,001
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
Net income per U.S. GAAP	23,393	15,239	15,539
Reported earnings per share, fully diluted	2.65	1.54	1.67
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
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	670	3,689	749
Comprehensive income in accordance with U.S. GAAP	24,063	18,928	16,288

Adjustment of Equity	2000	1999	1998
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	–
	28,928	24,055	11,902
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
	11,397	7,615	4,696
Adjustment of stockholders' equity, net	17,531	16,440	7,206
Reported stockholders' equity	91,686	69,176	63,112
Equity according to U.S. GAAP	109,217	85,616	70,318

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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 Dec 31 2000	Dec 31 1999	As per U.S. GAAP 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			
Net income per U.S. GAAP	23,393	15,239	15,539
Net income, proforma, per U.S. GAAP	21,882	15,239	15,539
Earnings per share, fully diluted			
Earnings per share, per U.S. GAAP	2.94	1.92	1.97
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 2000	1999	Parent Company 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 Men	Women	Total	1999 Men	Women	Total
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	1062	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	Men	Women	2000 Total	Men	Women	1999 Total
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 2000	Consolidated 1999	Parent Company 2000	Parent Company 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 2000	Consolidated 1999	Parent Company 2000	Parent Company 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			83	60
(of which bonus and similar)			(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) 7-year call options issued by Ericsson	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 Finace 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 employees 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

Additional note information required for annual report on Form 20-F

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Changes in Stockholders' Equity

(SEK m.)	Capital stock (par value A and B shares)	Reserves not available for distribution	Retained earnings	Total
Balance at December 31, 1997	2,436	29,172	21,016	52,624
Cash dividend (SEK 1.75 per share)			–3,411	–3,411
Transfer from available retained earnings		465	–465	0
Bonus issue	2,438	–2,438		
Issue of 601,091 B shares upon conversion of convertible debentures at a conversion price of SEK 72.10 and 1,158,090 B shares upon conversion of convertible debentures at a conversion of SEK 36.10	4	81		85
Proceeds from unclaimed stock dividend shares		2		2
Revaluation of fixed assets		22		22
Changes in cumulative translation adjustments		749		749
Net Income			13,041	13,041
Balance at December 31, 1998	4,878	28,053	30,181	63,112

(SEK m.)	Capital stock (par value A and B shares)	Reserves not available for distribution	Retained earnings	Total
Balance at December 31, 1998	4,878	28,053	30,181	63,112
Cash dividend (SEK 1.75 per share)			–3,905	–3,905
Transfer from available retained earnings		6,741	–6,741	0
Issue of 5,411,111 B shares upon conversion of convertible debentures at a conversion price of SEK 36.10 and 375,020 B shares upon conversion of convertible debentures at a conversion of SEK 236	15	269		284
Capital discount		–7		–7
Proceeds from unclaimed stock dividend shares		1		1
Revaluation of fixed assets		–36		–36
Changes in cumulative translation adjustments		–2,403		–2,403
Net Income			12,130	12,130
Balance at December 31, 1999	4,893	32,618	31,665	69,176

(SEK m.)	Capital stock (par value A and B shares)	Reserves not available for distribution	Retained earnings	Total
Balance at December 31, 1999	4,893	32,618	31,665	69,176
Cash dividend (SEK 0.50 per share)			–3,919	–3,919
Repurchase of own stock			–386	–386
Stock dividend	2,941	–2,941		0
Transfer from available retained earnings		–780	780	0
Gains on sale of own options and convertible debentures			2,018	2,018
Issue of 49,414,094 B shares upon conversion of convertible debentures at a conversion price of SEK 9[1] and 20,466,176 B shares upon conversion of convertible debentures at a conversion of SEK 59[1]	76	1,839		1,915
Capital discount		–105		–105
Proceeds from unclaimed stock dividend shares		1		1
Revaluation of fixed assets		–7		–7
Changes in cumulative translation adjustments		1,975		1,975
Net Income			21,018	21,018
Balance at December 31, 2000	7,910	32,600	51,176	91,686

[1] After split 4:1

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Additional Information to Note 24c, Pensions

In addition to the Swedish defined benefit plans described in Note 16, the Company sponsors defined benefit plans in several foreign countries, principally Australia, the United Kingdom, the United States and Brazil.

The following tables summarize approximate disclosures for the Company's defined benefit plans. The amounts have been translated into Swedish kronor from local currencies using average rates. Net periodic benefit cost included in the Company's approximate net income for 2000 and 1999 calculated in accordance with U.S. GAAP includes the following components for companies subject to an U.S. GAAP recalculation (in SEK m.):

	2000	1999
Service cost	1,048	1,021
Interest cost	670	583
Expected return on plan assets	–149	–424
Amortization items	–114	272
Net periodic benefit cost	1,455	1,452

Weighted-average assumptions as of December 31 (in percent):	2000	1999
Discount rates	5.00–7.75	5.00–6.50
Rates of increase in compensation level	3.50–4.50	3.50–4.50
Investment return	5.00–8.50	5.00–8.50

The following table sets forth the status of these plans, subject to recalculations in accordance with FAS 87, and amounts recognized in the Company's summary of balance sheet amounts after adjustments to conform with U.S. GAAP (SEK m.):

Change in benefit obligations	2000	1999
Benefit obligation at beginning of year	11,156	10,368
Service cost	1,048	1,021
Interest cost	670	583
Actuarial loss	98	–763
Benefits paid	–370	–349
Other	509	296
Benefit obligation at end of year	13,112	11,156

Change in plan assets	2000	1999
Fair value of plan assets at beginning of year	3,374	2,859
Actual return on plan asset	–149	–424
Employer contribution	1,239	1,288
Benefits paid	–370	–349
Fair value of plan assets at end of year	4,094	3,374
Funded status (benefit obligations less fair value of plan assets)	–9,018	–7,782
Unrecognized net actuarial loss	1,667	1,444
Unrecognized prior service costand unrecognized net asset at initial application of SFAS 87	206	190
Prepaid (accrued) benefit cost	–7,145	–6,148

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Additional Information to Note 24 Note 24i, Comprehensive Income

	Cumulative translation adjustments	Hedging for investments	Unrealized gains and losses on available- for-sale securities	Minimum pension liability	Accumulated other comprehensive income
Opening balance	1,369	–746	6,139	–47	3,977
Changes during the period	2,335	–360	–1,330	25	670
Closing balance	966	–1,106	4,809	–22	4,647

Additional Information to Note 24

Approximated income per share in accordance with U.S. GAAP reported in Note 24 represents fully diluted income per share. Basic income per share in accordance with U.S. GAAP is as follows:

	2000	1999	1998
Basic earnings per share SEK	2.97	1.95	1.99
Average number of shares outstanding (million)	7,869.4	7,817.2	7,800.9

Accounting information

The Swedish Financial Accounting Standards Council (Redovisningsrådet) has issued the following recommendations which will be adopted by the Company in 2001 or 2002:

- Income taxes (RR9)
- Construction Contracts (RR10)
- Revenue (RR11)
- Tangible fixed assets (RR12)
- Associated Companies (RR13)
- Joint Ventures (RR14)
- Intangible assets (RR15)
- Provisions, Contingent Liabilities and Contingent Assets (RR16)
- Impairment of assets (RR17)
- Earnings per share (RR18)
- Discontinuing operations (RR19)
- Interim Financial Reporting (RR 20)

As from January 1, 2001 the Company has adopted RR9, RR10, RR11, RR12, RR13, RR14, RR18 and RR20. These recommendations are not estimated to have a material effect on the Company's income statement and balance sheet.

RR15, RR16, RR17 and RR19 will be adopted from January 1, 2002. The Company has not determined the impact of adoption of these recommendations.

SFAS 133, Accounting for Derivative Instruments and Hedging Activities (as amended by SFAS 137 Accounting for Derivative Instruments and Hedging Activities—Deferral of Effective Date of FASB Statement No 133; and SFAS 138 Accounting for Certain Derivative Instruments and Certain Hedging Activities) is effective for the Company for the financial year commencing 1 January 2001. SFAS 133 requires Ericsson to recognise all derivatives as either assets or liabilities measured at fair value. Adoption of SFAS 133 will result in a cumulative after tax increase in net income of SEK 421 million and a decrease in other comprehensive income of SEK 1,665 million in the first quarter of 2001.

For a reconciliation to U.S. GAAP and a discussion of the significant differences between U.S. GAAP and generally accepted accounting principles in Sweden which affect the Company's Consolidated Financial Statements, see Note 24 to the Consolidated Financial Statements.

Valuation qualifying accounts and reserves, schedule IX

Reserves deducted from assets to which they apply:

Allowance for doubtful notes and accounts receivables and customer financing for the years ended December 31, 1998, 1999 and 2000 (SEK m.)

Description	2000	1999	1998
Balance beginning of period	6,174	4,898	2,400
Charged (credited) to cost and expenses	1,071	5,490	3,891
Charged (credited) to other accounts	–243	11	23
Deductions	–2,665	–4,225	–1,416
Balance end of period	4,337	6,174	4,898

Uncertain Factors in the Future

"Safe Harbor" Statement under the U.S. Private Securities Litigation Reform Act of 1995:

Some statements in this 20-F 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, the effect of economic conditions, exchange-rate and interest-rate movements, the impact of competing products and their pricing, product development, commercialization and technological difficulties, political risks in the countries in which we have operations or sales, supply constraints, and the results of customer financing efforts.

Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

June 21th, 2001

By: /s/ LARS JACOBSSON
Lars Jacobsson
Vice President
Corporate Financial
Reporting and Analysis

By: /s/ CARL OLOF BLOMQVIST
Carl Olof Blomqvist
Senior Vice President and General Counsel

Exhibit 1

Articles of Association of Telefonaktiebolaget LM Ericsson Stockholm

Org. No 556016-0680

§ 1

The name of the Company is Telefonaktiebolaget LM Ericsson. The company is a public company (publ).

§ 2

The objects of the Company are, after taking over the business of Stockholms Allmänna Telefonaktiebolag and Aktiebolaget LM Ericsson & Co:

to carry on workshops business and trade;

to acquire, set up, carry on and trade in electric and other plants; and

to carry on other activities consistent therewith.

§ 3

The Registered Office of the Board of Directors of the Company is in Stockholm.

§ 4

The Share Capital shall amount to no less than six thousand million (6,000,000,000) kronor and no more than twentyfour thousand million (24,000,000,000) kronor.

§ 5

The nominal value of each Share shall be one krona (SEK 1.00).

§ 6

Shares may be issued in three series, A, B and C. If Shares are issued in different series, Shares of series A may be issued to a total amount of no more than ninety-nine hundred parts and no less than one hundredth part of the total Share Capital of the Company. Shares of series C may be issued to a maximum amount of 155,000,000.

In voting at a General Meeting each Share of series A confers one vote and each Share of series B and C, respectively, one thousandth part of one vote.

§ 7

If the Company decides to issue new series A, B and series C shares through a cash issue, each owner of series A, B and C shares has a preemptive right to subscribe to new shares of the same type in proportion to the number of old shares that the shareholder owns (primary preemptive rights). Shares not subscribed through primary preemptive rights shall be offered for subscription to all shareholders (subsidiary preemptive rights). If the number of shares so offered is less than the number subscribed through subsidiary preemptive rights, the shares shall be distributed among the subscribers in proportion to the number of old shares they own or, to the extent that is not possible, by lot.

If the Company decides to issue through a cash issue new shares either of series A, B or series C only, all shareholders, regardless of whether their shares are series A, B or series C, are entitled to preemptive rights to subscribe to the new shares in proportion to the number of old shares they own.

The above conditions shall not restrict in any way the possibility of deciding on a cash issue entailing exceptions to the shareholders' preemptive rights.

In the case of an increase in share capital through a bonus issue, new shares of each series shall be issued in proportion to the number of shares of the same type previously on issue. In such a case, old shares of each type entitle the holder to new shares of the same type. The aforesaid shall not restrict in any way the possibility of issuing shares of a new type through a bonus issue after the requisite changes have been made in the Articles of Association.

§ 8

A person who is recorded in the Share Register or in the special register pursuant to Chapter 3, section 12 of the Companies Act (1975:1385) on the record date shall be considered authorized as a Shareholder to receive dividend and, in connection with a bonus issue, new Shares and to exercise the Shareholder's preferential right to participate in an issue.

§ 9

The Board of Directors, which is to be elected yearly at the Annual General Meeting for the period until the end of the next Annual General Meeting, shall consist of no fewer than five and no more than twelve Directors with no more than six Deputy Directors.

§ 10

At the Annual General Meeting, three Auditors and no more than three Deputy Auditors, shall be elected for the period until the end of the Annual General Meeting taking place during the fourth financial year after the election of Auditors.

§ 11

The financial year of the Company shall be the calendar year.

§ 12

The following matters shall be dealt with at the Annual General Meeting:

election of a Chairman at the General Meeting; preparation and approval of a voting list; approval of the agenda; examination whether the Meeting has been properly convened; election of two persons to check the minutes; presentation of the Annual Report and the Auditors' report and of the

Consolidated Accounts and the Auditors' report on the Group; resolutions in respect to adoption of the Profit and Loss Statement and the Balance Sheet and of the Consolidated Profit and Loss Statement and the Consolidated Balance Sheet, the Directors' and the Managing Directors' discharge from liability, appropriation of the Company's profit or loss according to the adopted Balance Sheet; determining the number of Directors, Deputy Directors and Deputy Auditors; determining the remuneration payable to the Board of Directors and to the Auditors; elections of Directors and of Deputy Directors; when appropriate elections of Auditors and of Deputy Auditors; other matters which according to the Companies Act (1975:1385) shall be dealt with at the Meeting.

§ 13

The Chairman of the Board of Directors, or if he is prevented, another Director appointed thereto by the Board of Directors, opens the General Meeting and presides the deliberations until a Chairman has been elected by voting.

§ 14

At a General Meeting every person, who is entitled to vote, may vote for the full number of Shares owned and represented by him without any restriction in the number of votes.

§ 15

Notice convening a General Meeting shall be issued through announcement in Post- och Inrikes Tidningar as well as in Dagens Nyheter and Svenska Dagbladet or another nation-wide covering daily paper.

§ 16

In order to be admitted to a General Meeting, a Shareholder shall have given notice of his attendance to the Company not later than 4.00 p.m. on the day mentioned in the notice convening the Meeting, at which time also the number of advisors shall be stated. This day may not be a Sunday, any other public holiday, Saturday, Midsummer's eve, Christmas Eve or New Year's eve and may not fall earlier than five weekdays before the General Meeting.

§ 17

Shares of series C shall entail a right to an annual dividend from the Company's assets with an amount equivalent to STIBOR with terms to maturity of 360 days commencing from April 30 one year up to and including April 30 the following year and calculated on the nominal amount of the Company's share.

During the period from June 1–June 15 each year, the Company's Board of Directors is authorized to decide on a reduction of the share capital through redemption of all series C shares.

In conjunction with the adoption of a resolution regarding redemption, holders of series C shares shall be obliged to surrender their shares for an amount equal to the nominal amount of the shares. Payment of the redemption amount shall take place immediately.

§ 18

The Company's Board of Directors is authorized to convert all series C shares to shares of series B when the Company holds the shares. Conversion shall be notified for registration without delay and be effected upon registration.

Exhibit 2(a)

See Exhibit 1 and the Swedish Companies Act.

Exhibit 2(b)

Prospectus of the convertible debenture 1997/2003.

Exhibit 3

Not applicable

Exhibit 4(a)

Not applicable

Exhibit 4(c)

Not applicable

Exhibit 5

Not applicable

Exhibit 6

Calculation of Earnings per share. Please see Item 17, Accounting principles and notes to the financial statements.

Exhibit 7

Key ratios, definitions.

Working capital: current assets less current non-interest-bearing provisions and liabilities.

Capital employed: total assets less noninterest-bearing provisions and liabilities.

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).

Exhibit 8

List of the Company's subsidiaries. Please see Item 17, note 9.

Exhibit 9

Not applicable