As filed with the Securities and Exchange Commission on July 10, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1
to
Form 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2001

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transaction period from to

(Commission file number 0-12033)

TELEFONAKTIEBOLAGET LM ERICSSON (PUBL)

(Exact Name of Registrant as Specified in Its Charter)

LM ERICSSON TELEPHONE COMPANY

(Translation of Registrant's Name Into English)

Kingdom of Sweden

(Jurisdiction of Incorporation or Organization)

Telefonplan, SE-126 25 Stockholm, Sweden

(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each Exchange on which registered
American Depositary Shares	Nasdaq Stock Market

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

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 (SEK 1.0 nominal value)	**7,409,285,367**
A shares (SEK 1.0 nominal value)	**656,218,640**

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

Yes X No _____

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

Item 17 X Item 18 _____

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PRESENTATION OF INFORMATION

In this Annual Report, unless otherwise indicated, all financial information presented has been prepared in accordance with Swedish GAAP. In addition, net income (loss) for the years ended December 31, 1999, 2000 and 2001, and shareholders' equity as of December 31, 1999, 2000 and 2001 have been reconciled with U.S. GAAP.

Effective January 1, 2002, Swedish GAAP requires that companies that are effectively controlled be consolidated. As a result, we have restated our consolidated financial statements as of and for each of the five years ended December 31, 1997, 1998, 1999, 2000 and 2001 to consolidate certain finance companies in which we have minority holdings which were previously accounted for under the equity method. Consequently, the audited consolidated financial statements included herein for the year ended December 31, 2001 differ from those historical financial statements included in our filing on Form 6-K dated April 22, 2002. For additional information regarding the impact from these Swedish GAAP changes on our financial statements, see our financial statements, beginning on page F-1.

Both amounts stated in Swedish krona (SEK) and derived from U.S. dollars (USD) and amounts stated in USD and derived from SEK, unless otherwise indicated, have been converted at a fixed rate, solely for convenience. These conversions should not be construed as a representation by us that the SEK amounts actually represent such USD 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, USD and SEK amounts have been converted at the rate of USD 1.00 per SEK 10.3630, the noon buying rate as announced by the Federal Reserve Bank of New York on March 29, 2002. We present our financial statements in SEK.

Certain amounts and percentages have been rounded and accordingly may not total.

We obtained some of the information presented in this Annual Report regarding market share and industry information relating to our business from market research reports, analyst reports and other publicly available information. Although we believe that this information is reliable, we cannot guarantee the accuracy or completeness of the information and we have not independently verified it.

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 United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended, and includes assumptions about future market conditions, operations and results.

The words "believe", "expect", "anticipate", "intend", "may", "plan" and similar expressions are intended to identify these statements. Forward-looking statements appear in a number of places including, without limitation, "Item 3D: Key Information—Risk Factors", "Item 4: Information on the Company" and "Item 5: Operating and Financial Review and Prospects", and include statements regarding:

- strategies, outlook and growth prospects;
- future plans and potential for future growth;
- liquidity, capital resources and capital expenditure, and our credit ratings;
- growth in demand for our systems and services;
- our joint venture activities;
- economic outlook and industry trends;
- developments of our markets;
- the impact of regulatory initiatives;

- research and development expenditure;
- the strength of our competitors;
- plans to launch new products, systems and services; and
- expected cost savings from our various cost reduction measures.

Although we believe that the expectations reflected in these and other forward-looking statements are reasonable, we can give no assurance that these expectations will prove to be correct. Because these statements involve risks and uncertainties, results could differ materially from those set out in the forward-looking statements as a result of:

- conditions in the telecommunications industry and general economic conditions in the markets in which we operate, and our ability to adapt to rapid changes in market conditions;
- political, economic and regulatory developments in the markets in which we operate, including allegations of health risks from electromagnetic fields and increasing cost of licenses to use radio frequencies;
- management's ability to develop and execute a successful strategy, including partnerships, acquisitions, divestitures and ability to manage growth and decline and to execute cost-reduction efforts;
- financial risks, including foreign exchange rate changes, interest rate changes, credit risks in relation to counterparties and risks of confiscation of assets in foreign countries and risks of insufficient liquidity to execute payments;
- the impact of changes in product demand, pricing and competition, including erosion of sales prices, increased competition from existing or new competitors or new technology and the risk that new systems and services may fail to be accepted at the rates or levels we anticipate;
- our customer structure, where the number of customers may be reduced due to consolidation in the industry, and the remaining customers will become larger, and the negative business consequences of a loss of, or significant decline in, our business with such a customer;
- the impact of a downgrading of our credit rating;
- cost overruns on significant long-term contracts with price reduction mechanisms and extended payment terms;
- defaults by our customers under significant customer financing arrangements;
- product development risks, including our ability to adopt new technologies, and to develop commercially viable systems and services, our ability to acquire licenses to necessary technology, our ability to protect our intellectual property rights through patents and trademarks and to defend them against infringement, and results of patent litigation;
- supply constraints, including component or production capacity shortages, suppliers' abilities to deliver products on time with good quality, and risks related to concentration of purchases from a single vendor or proprietary or outsourced production in a single facility; and
- our ability to recruit and retain highly qualified management and other employees.

Certain of these factors are discussed in more detail elsewhere in this Annual Report, including under "Item 3D: Key Information - Risk Factors", "Item 4: Information on the Company" and "Item 5: Operating and Financial Review and Prospects". We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2: OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Item 3A: Selected Financial Data

The following table sets forth selected consolidated financial data for each of the years in the five-year period ended December 31, 2001. The selected consolidated financial data for the five-year period ended December 31, 2001 are derived from our audited consolidated financial statements. We have restated our consolidated financial statements as of and for each of the five years in the period ended December 31, 2001, as discussed in the notes to our financial statements included herein. Our consolidated financial statements have been prepared under Swedish GAAP. For a reconciliation to U.S. GAAP of net income (loss) and consolidated shareholders' equity, and a discussion of the significant differences between U.S. GAAP and Swedish GAAP affecting our consolidated financial statements, see Note 24 to our consolidated financial statements. The following data should be read in conjunction with "Item 5: Operating and Financial Review and Prospects" and our consolidated financial statements and other financial information included elsewhere in this Annual Report. All per share data has been adjusted for our 1:1 bonus issue in 1998 and our 4:1 stock split in 2000.

	As of and for the Year Ended December 31,				
	1997	**1998**	**1999**	**2000** (1)	**2001** (1)
	(SEK millions, unless otherwise stated)				
Swedish GAAP					
Consolidated Income Statement					
Net sales	167,740	184,438	215,403	273,569	231,839
Operating income (loss)	18,610	19,16	17,469	30,828	(27,380)
Income (loss) before taxes	17,218	18,21	16,386	28,692	(30,309)
Net income (loss)	11,941	13,04	12,130	21,018	(21,264)
Earnings (loss) per share, after cumulative effect of accounting change basic(2) (SEK per share)	1.54	1	1.55	2.67	(2.69)
Earnings (loss) per share, after cumulative effect of accounting change diluted(3) (SEK per share)	1.52	1	1.54	2.65	(2.69)
Cash dividends per share:(4)					
in SEK	0.44	(	0.50	0.50	0
in USD	0.06	(	0.06	0.05	0
Consolidated Balance Sheet					
Working capital(5)	52,701	53,43	70,426	97,261	104,998
Tangible assets, net	19,444	22,74	24,974	23,104	16,641
Total assets	152,497	172,658	211,412	263,282	257,521
Interest-bearing debt	26,697	31,639	52,901	59,427	89,879
Net assets(6)	57,117	65,29	71,492	94,587	72,240
Minority interest	4,493	2,1	2,316	2,901	3,653
Stockholders' equity	52,624	63,11	69,176	91,686	68,587
Stockholders' equity (SEK per share)	6.8		8.8	11.6	8.5
Number of shares outstanding (millions of shares)	7,795.9	7,805.4	7,828.6	7,910.3	8,065.5
Average number of shares outstanding (millions of shares)	7,755.0	7,800.9	7,817.2	7,869.5	7,908.7
Average number of shares after full conversion and exercise of stock options (millions of shares)	7,897.6	7,987.5	7,987.5	8,004.4	7,987.8

	As of and for the Year Ended December 31,				
	1997	1998	1999	2000	2001
	(SEK millions, unless otherwise stated)				
U.S. GAAP					
Net sales	167,740	184,438	215,403	273,569	231,839
Operating income (loss)	19,798	22.672	21,903	35,350	(32,833)
Net income (loss)	12,848	15,539	15,239	23,393	(24,403)
Earnings (loss) per share, basic(2) (SEK per share)	1.66	1.99	1.95	2.97	(3.09)
Earnings (loss) per share, diluted(3) (SEK per share)	1.63	1.97	1.92	2.94	(3.09)
Total assets	160,810	184,298	235,950	291,013	278,146
Stockholders' equity	57,364	70,318	85,616	109,217	77,801
Capital stock	2,436	4,878	4,893	7,910	8,066
Average number of shares outstanding (millions of shares):					
Basic(2)	7,755.0	7,800.9	7,817.2	7,869.4	7,908.7
Diluted(3)	7,897.6	7,987.5	7,987.5	7,999.5	7,908.7

1 Effective October 1, 2001, Sony Ericsson Mobile Communications assumed substantially all of the operations of the Phones segment. As of this date, 50 percent of the results of the Sony Ericsson joint venture are reported under "Earnings of joint venture and associated companies" pursuant to equity accounting principles. Retained Phones operations are reported under "Other operations".

The following additional financial information is presented, pursuant to Swedish GAAP, as a means of reporting comparable financial data for sales, cost of sales and operating expenses for the years 2000 and 2001, as if the results of the transferred operations had been accounted for under the equity method for the period January 1, 2000 to September 30, 2001. Net income and stockholders' equity are not affected.

	Year ended December 31,			
	2000		2001	
	Actual	Adjusted	Actual	Adjusted
	(SEK millions)			
Net sales	273,569	221,586	231,839	210,837
Cost of sales	(180,392)	(120,617)	(173,900)	(142,981)
Operating expenses	(90,429)	(73,516)	(93,002)	(85,074)
Other operating revenues	27,983	27,463	8,398	8,400
Share in earnings of joint ventures and associated companies	97	(24,088)	(715)	(18,562)
Operating income (loss)	30,828	30,828	(27,380)	(27,380)

2 Earnings per share, basic, are based upon average number of shares outstanding.

3 Diluted earnings (loss) per share are calculated by dividing adjusted net income (loss) 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 were exercised. Shares issuable upon conversion of convertible debentures or exercise of options are treated as dilutive only when their conversion to ordinary shares would decrease earnings per share. In 2001, diluted weighted average shares outstanding excludes the incremental effect of all options and all convertible debentures of 76.8 million shares, as the impact would be anti-dilutive.

4 Cash dividends per share are those declared out of earnings for the year as recommended by our 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 converted to U.S. dollars at the rates on the respective payment dates of each year.

5 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 include current maturities of interest-bearing liabilities. An application of the U.S. GAAP definition of working capital would give the following amounts: SEK 73.5 billion in 2001, SEK 76.7 billion in 2000, SEK 56.8 billion in 1999, SEK 45.5 billion in 1998 and SEK 46.1 billion in 1997.

6 Net assets is defined as total assets less provisions and liabilities.

Exchange Rates

The following tables provide information with respect to the exchange rate for Swedish kronor per U.S. $1.00, based on the noon buying rate for cable transfers in Swedish kronor as certified for customs purposes by the Federal Reserve Bank of New York. On July 5, 2002, the noon buying rate for Swedish kronor was U.S.$1.00 = SEK 9.3750. The average is computed using the noon buying rate on the last business day of each month during the period indicated.

Year ended December 31,	**Average**
1997	7.6843
1998	7.9658
1999	8.3007
2000	9.2251
2001	10.4328
Six months ended June 30, 2002	10.1228

Month,	**High**	**Low**
2002		
January	10.7290	10.2690
February	10.6800	10.4360
March	10.5000	10.1975
April	10.3685	10.2220
May	10.2950	9.7210
June	9.7560	9.2070

We describe the effects of exchange rate fluctuations on our business below under “Item 11A: Qualitative and Quantitative Disclosures about Market Risk”.

Item 3B: Capitalization and Indebtedness

Not applicable.

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

Not applicable.

Item 3D: Risk Factors

You should carefully consider all of the information in this Annual Report and, in particular, the risks outlined below.

An extended downturn in the telecommunications industry will continue to negatively impact our business and results of operations.

We operate globally in the telecommunications markets and are subject to conditions particular to the markets for telecommunications infrastructure, equipment and services. 2001 was a challenging year for the telecommunications industry. We reported a SEK 21.3 billion net loss in 2001. The beginning of 2002 has shown no signs of improvement and the near term market outlook remains uncertain. The rate at which the telecommunications industry improves is critical to our ability to improve our overall financial condition and to achieve our financial goal of returning to profit at some point in 2003. Currently, the timing and strength of recovery of the markets in which we operate is highly unpredictable. If the telecommunications markets continue to show slow or negative growth, our business will continue to be negatively impacted.

We are subject to the impact of the current global slowdown and economic recession, the length of which is still uncertain.

Our business has been negatively impacted by the global slowdown and economic recession that began in the latter part of 2000. Current conditions in many of the large economies in which we operate and the global economy remain extremely uncertain. As a result, it is difficult to estimate the level of growth for the economy as a whole upon which certain of our business assumptions are based. It is even more difficult to estimate growth in various parts of these economies, including the markets in which we operate. The future direction of the overall local and global economies, including the success of ongoing changes in fiscal, monetary and regulatory policies worldwide, which will influence the length and severity of the current recession, will have a significant impact on our overall performance.

Many of our customers have reduced and are continuing to reduce capital expenditure and, as a result, demand for our systems and network roll-out services have declined and may continue to decline.

Many of our current and potential customers are network operators with high levels of indebtedness and, in some cases, emerging or weak revenue streams. Adverse economic conditions, network over-capacity due to excess build-out, lack of funding for telecom development and overspending on license fees have forced network operators to undertake extensive restructuring and cost-cutting initiatives. In light of market conditions, many of our customers have delayed delivery of and payment for orders previously placed and have implemented drastic reductions in capital expenditure in 2002 as compared to 2001 and even more so in comparison with 2000, and may continue to further reduce capital expenditure. As a result, demand for our systems and network roll-out services has declined. If the demand for our systems and services weakens further or remains weak on account of the financial condition of our customers, market and industry conditions or otherwise, this is likely to have a material adverse effect on our business, results of operations and financial condition.

We may experience greater variability in our operating results than in the past and may have increased difficulty in accurately predicting future operating results.

Our business is subject to a wide variety of factors that impact our quarterly and annual operating results from period to period. The current worldwide economic slowdown and uncertainties in the telecommunications market may continue to negatively impact the timing of network capacity build-outs, including the introduction of new technologies such as 3G. We do not currently expect a near-term return to the sales or operating profit growth levels that we have achieved in the past. As a result, our operating results may fluctuate significantly from period to period and possibly more than they have historically.

In addition, uncertainties arising from these factors, in particular during difficult economic conditions, make preparing estimates of our future operating results even more difficult than usual and may lead us to revise our estimates and/or strategies more frequently than in the past. As a result, any of these factors could have a material adverse impact on our operations such that the results of operations for any period will not necessarily be indicative of results to be expected in future periods.

We may be adversely affected by the significant changes that we expect in the wireless telecommunications industry. In particular, the 3G technologies, CDMA2000, EDGE and WCDMA, may not become commercially successful, which could be detrimental to our competitive and financial position.

The wireless telecommunications industry is undergoing significant changes. These include the continuation of digital upgrades in existing analog wireless systems, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, the integration of wireless and wireline services, shorter development cycles for new services, evolution to 3G standards and changes in end-user needs and preferences. In general, this causes uncertainty over future demand for our systems, products and services and the prices that we will be able to charge for these systems, products and services.

Several wireless service providers have announced that they will soon introduce new 3G wireless services in the geographical regions in which we operate. We expect that 3G services will combine the attributes of faster speed, greater data capability, better portability and greater functionality. We have chosen to pursue 3G technologies vigorously and, as a result, we are the current market leader for WCDMA and EDGE systems. WCDMA is a 3G technology developed by us and others, which enables wideband digital radio communications. WCDMA has been selected for the third generation of mobile telephone systems in Europe, Japan, the United States and other markets. EDGE and CDMA2000 are technologies developed to increase capacity and enable high-speed transmission of existing 2G networks to 3G standards.

However, there could be competing technological standards, several options within each standard, vendor-proprietary variations and rapid technological innovation in connection with 3G roll-outs in various locations around the world. Moreover, other technologies, such as wireless local area networks, could provide additional competition for some services. If any or all of these alternative 3G technologies were to become commercially successful, we may not be able to shift our technology focus quickly or efficiently enough to successfully compete. Technological changes can also affect the price we are able to obtain for systems and services. Accordingly, there can be no assurances that technological changes will not materially adversely affect us.

We engage in customer financing which exposes us to certain credit and other risks of our customers, including customers without established revenue streams.

We have provided, and expect to continue to provide, some of our customers with various forms of direct and indirect financing in connection with large infrastructure projects, including build-outs of 3G networks.

Our customer financing increases our vulnerability to downturns in the economy and the industry in general, and to adverse changes in our customers' businesses in particular. Customer financing arrangements may include commitments to finance all or a portion of the purchase price for our systems and services, and in exceptional cases, working capital. These financings expose us to credit risks which may be significant, in particular in relation to network operators with limited experience or proven track records, network operators in emerging markets with volatile economies, such as Latin America and Asia, and network operators which may have incurred significant indebtedness in connection with their acquisition of 3G licenses. Defaults by these operators could occur for reasons beyond our control and could result in the restructuring of these financing arrangements or credit losses. The amounts of these financings, and the associated impact on our results and working capital, may be significant and may be concentrated among a limited number of our customers. Additionally, while we attempt to take security interests in the projects we finance, the liquidation value of secured assets could be small compared to the loan amounts.

Deterioration in the credit quality of our customers may further increase our capital needs if we are unable to refinance customer financings through securitizations or otherwise transfer future funding commitments to financial institutions and investors on acceptable terms and in the expected timeframes. While we evaluate our customer credits on a quarterly basis to make appropriate provisions for impaired credits, there can be no assurance that the provisions we make will be sufficient to reflect any actual impairment of our customer credits.

Failure to successfully implement our cost reduction measures may adversely affect our financial results.

In 2001, we adopted an "Efficiency Program", intended to reduce our cost base in an effort to minimize the impact of the slowing economy and uncertainties in the telecommunications markets. This comprehensive cost-reduction program included plans to discontinue unprofitable product lines, exit unprofitable businesses and consolidate manufacturing, research and development and administrative operations. While the Efficiency Program has already generated significant savings, we have not yet realized the full effects of this program and actual results may vary materially from our estimates. In addition, we have recently announced additional cost savings measures, intended to decrease our cost base by another approximately SEK 20 billion annually when fully implemented by the end of 2003. These anticipated cost savings are based on our estimates, which may not materialize. In addition, our cost reduction measures are based on current conditions and do not take into effect future cost increases that may result from changes in our industry or operations, including new business developments, wage and price increases or other factors. Our failure to successfully implement these planned cost-reduction measures or the potential that these efforts may not generate the level of cost saving we expect going forward, could negatively impact our financial results as well as our ongoing operations.

Our financial instruments contain rating triggers, financial ratios and other covenants that may affect our access to and cost of funds.

Our long term debt is currently rated Baa3 by Moody's and BBB by Standard & Poor's both with a negative outlook. In February 2002, Moody's lowered our long-term credit rating from Baa1 to Baa2, in May 2002, Standard & Poor's lowered our long-term credit rating from BBB+ to BBB and in June 2002, Moody's further lowered our long-term credit rating from Baa2 to Baa3. Our EUR 400 million credit facility (approximately SEK 3.7 billion) entered into in October 2001, which we have never drawn upon, was made unavailable by the downgrade in February 2002. Further downgrades could have an impact on our liquidity position by limiting our access to additional funding and increasing our funding costs.

Of the SEK 17.0 billion available to us as of March 31, 2002 under our existing long-term credit facilities, our USD 600 million long-term credit facility has interest rates linked to our credit rating. This long-term credit facility is currently undrawn. As a result of recent downgrades, this facility was amended in June 2002 to eliminate certain financial covenants linked to our credit rating and to include certain other financial covenants. According to the amended terms, a further downgrade to Ba1 by Moody's or BB+ by Standard & Poor's would increase the cost of this undrawn facility by approximately SEK 14 million annually. In addition, the interest rate on an aggregate of SEK 21.7 billion of notes issued pursuant to our Euro Medium Term Note program, comprising notes of EUR 2 billion and GBP 226 million, is linked to our credit rating. Interest rates on this debt increase or decrease by 0.25

percent per annum for each decrease or increase in our credit rating below BBB+ or Baa1, as announced by Standard & Poor's or Moody's, respectively. The three most recent downgrades have caused an estimated increase in funding costs of approximately SEK 165 million per annum relating to our outstanding medium term notes.

In addition, a portion of the credit portfolio arrangement entered into in December 2001 with a syndicate of banks would be affected by a further downgrade. The arrangement consists of two facilities under which SEK 7.9 billion was outstanding as of March 31, 2002. One facility provides for credits of up to SEK 12.3 billion on a limited recourse basis. As a result of the most recent downgrade from Baa2 to Baa3 (Moody's), the syndicate banks have recourse against us for 30 percent of the total commitment and may, upon a simple majority vote of the member banks, demand that we maintain this amount in the form of cash collateral. The other facility, for SEK 3.8 billion, is fully guaranteed by us. The bank syndicate, at its discretion, has the right to put this guaranteed facility to us, should the rating fall to Baa3 (Moody's) or BBB- (Standard & Poor's). While we have initiated discussions with the relevant bank syndicates for these arrangements, as a result of the recent downgrade to Baa3 (Moody's), we are unaware of any intention to require additional cash collateral or exercise the put option.

Given the current market conditions in the telecommunications industry and the uncertainty of the outlook for the industry, it is possible that we may suffer additional downgrades. If our credit rating further deteriorates, we will incur additional interest expense.

Furthermore, our ability to comply with rating conditions and financial ratio covenants is dependent on a number of factors, many of which are beyond our control. If we are unable to comply with rating conditions and financial ratio covenants, we may need to repay or refinance the related debt and/or other debt which contains cross default provisions. This may have a materially adverse impact on our financial condition. We cannot assure you that we would be able to refinance our indebtedness or obtain additional funding on favorable terms, or at all.

Our access to funding has decreased and may continue to decrease or become more expensive as a result of our operational and financial condition and market conditions.

Our commercial paper and other short term debt is currently rated A-3 and P-3 (both with a negative outlook) as assigned by Standard & Poor's and Moody's, respectively. Our current rating and the number of large commercial paper issuers whose recent credit downgrades have placed them in this market, may restrict our access to credit and, in particular, may make commercial paper or other short-term borrowings unavailable or of limited availability to us. For this reason, outstanding commercial paper was reduced from SEK 4.7 billion at the end of 2000 to zero at the end of 2001 and we currently do not intend to access this market in the near future. We cannot assure you that we will have access to the commercial paper market in the future on favorable terms, or at all.

Our business has substantial cash requirements and we may require additional sources of funds if our current sources are unavailable or insufficient to satisfy these requirements, and we cannot assure you that these additional sources of funds will be available or available on reasonable terms.

We have substantial cash requirements in connection with our operations, research and development, capital expenditure, cost reduction measures, customer financing programs and debt service obligations. In addition, new product development, which is key to the success of our business, is capital intensive. If the cash we generate from our operations or that we can access under our credit facilities or from other sources is not available when needed or is insufficient to satisfy our requirements, we may require additional sources of funds, including by way of possible asset sales. We cannot assure you that any required additional sources of funds would be available or available on reasonable terms, particularly in light of our existing debt levels and credit ratings, or that we would be able to dispose of assets to raise cash in a timely manner or for fair value. If we do not generate sufficient amounts of capital to support our operations, complete our cost reduction measures, continue our research and development and customer financing programs, service our debt and develop new products or we do not generate sufficient amounts of capital at the times and on the terms required by us, our business will likely be adversely affected.

Our A shareholders have voting control over the company.

Under our current capital structure, each A share has a thousand times the voting power of each B share. Accordingly, as of March 28, 2002, our A shareholders held 15.6 percent of our capital stock but 91 percent of our voting rights. Of our two largest shareholders, Investor AB held 4.7 percent of our capital stock and 38.7 percent of our voting rights and AB Industrivärden held 2.3 percent of our capital stock and 28 percent of our voting rights as of March 28, 2002. As a result, our A shareholders, and in particular Investor AB and AB Industrivärden, have the ability to exert significant influence over certain actions requiring shareholder approval, including the election of directors and appointment of officers, and may have the ability to influence our policy. As such, decisions made by Investor AB or AB Industrivärden may influence our business, results of operation and financial condition.

The telecommunications market is undergoing consolidation which increases our dependence on key customers.

Many significant participants in the telecommunications market are merging and consolidating as a result of competitive pressures, and we expect this trend to continue. This consolidation process will likely decrease the number of potential significant customers for our systems and services. For the year ended December 2001, our 20 largest customers accounted for approximately 60 percent of our net sales. Fewer significant customers will increase our reliance on key customers and, due to the increased size of these companies, may negatively impact our bargaining position and profit margins. The loss of, or a reduced role with, a key customer due to industry consolidation could negatively impact our business, results of operations and financial condition.

We are dependent on developing new products which are complex and may not be successful in the market.

Product life cycles in our industry can be short and therefore we expend considerable resources in product development and are actively engaged in designing new products and solutions and updating our existing products and solutions. Introducing new products requires significant management time and a high level of financial and other commitments to research and development and may not always result in success. Many of our products incorporate advanced technologies, such as 3G technologies, that are untested or are undergoing testing. Our development of new products may also require us to license third-party technologies and successfully integrate such technologies with our products which may add to the already large cost of bringing a new product to market. We are also actively engaged in the development of technology standards, such as WCDMA, EDGE, CDMA 2000 and Bluetooth, which will be incorporated into our products. In order to be successful, those standards must be accepted by relevant standardization bodies and by the industry as a whole. Our sales and earnings may suffer if we invest in developing and marketing technologies and technology standards that do not function as expected, are not adopted in the industry or are not accepted in the marketplace within the timeframe we expect, or at all.

We operate in the highly competitive telecommunications markets and our profitability will be affected if we are not able to compete effectively.

The markets for our products are highly competitive in terms of pricing, product and service quality, the timing of development and introduction of new products, customer service and terms of financing. We face intense competition from significant competitors. Our competitors may implement new technologies before we do, allowing them to offer more attractively priced or enhanced products, services or solutions than we provide. Some of our competitors may have greater resources in certain business segments or geographic markets. We may also encounter increased competition from new market entrants, alternative technologies or alternative telecommunications platforms. As the competitive environment in the telecommunications and technology industries changes quickly, relatively small and unknown companies able to provide innovative products may quickly achieve a significant market position, particularly in local markets. Our operating results depend to a significant extent on our ability to compete in this market environment, in particular on our ability to adapt to changes in the markets to introduce new products to the market and to reduce the cost of new and existing products.

We have several long-term contracts which expose us to risks of cost overruns and extended payment terms.

We currently have several long-term contracts under which the price reduces during the life of the contract, according to a pre-negotiated schedule. These long-term contracts are typically awarded on a competitive bidding basis and the profit margins on these contracts may vary from the original estimates as a result of changes in estimated costs, productivity specifications or timing. In addition, these contracts frequently include extended payment terms which will require us to recover costs incurred in performing these contracts over the term of the contract. Some of these contracts also provide for penalties for failure to deliver on time or if our products do not perform. Should any of these contracts become unprofitable due to any or several of these reasons, our operating results will be negatively impacted.

If our outside suppliers fail to deliver satisfactory components and manufacturing services on time, our financial results could be negatively impacted.

We are dependent on our suppliers to obtain timely and adequate delivery of components and manufacturing services. As part of our current business strategy, we have outsourced substantially all of our mass production manufacturing. If we are unable to identify manufacturers who are willing to contract with us on competitive terms and devote adequate resources to fulfill their obligations to us, or if we do not properly manage these relationships, our customer relationships, reputation or competitiveness may suffer.

We have experienced component shortages in the past that have adversely affected our operations. A fire in March 2000 at a Philips Electronics component factory in Albuquerque, New Mexico, combined with the absence of an alternative supplier, led to a severe shortage of integrated components for mobile handsets. Although we work closely with our suppliers to avoid shortages and to arrange for alternative sources of supply, we cannot assure you that we will not experience component shortages in the future. We also rely on a limited number of suppliers for a number of our components, as well as a core group of electronics manufacturing services (EMS) companies for the manufacture of our products, which increases our dependence on these suppliers. A reduction or interruption in component supply, a significant increase in the price of one or more components or manufacturing services or constraints on our suppliers' capacity during periods of significant demand could have a material adverse effect on our business, results of operations or financial condition.

Liability claims related to and public perception of the potential health risks associated with electromagnetic fields may negatively impact our business.

We are subject to claims that mobile handsets and other telecommunications devices that generate electromagnetic fields expose users to health risks. At present, a substantial number of scientific studies conducted by various independent research bodies have indicated that electromagnetic fields, at levels within the limits prescribed by public health authority safety standards and recommendations, cause no adverse effect to human health. However, any perceived risk or new scientific findings of adverse health effects of mobile communication devices and equipment could adversely affect us through a reduction in sales. Although we comply with all current safety standards and recommendations regarding electromagnetic fields, we cannot assure you that we will not become the subject of product liability claims or be held liable for such claims or be required to comply with future regulatory changes that may have an adverse effect on our business.

Our business and results of operations will be harmed if we are unable to protect our intellectual property rights from challenges or unauthorized third party use or if we become involved in litigation.

Like other companies operating in the telecommunications industry, because our products comprise complex technology, we experience litigation regarding patent and other intellectual property rights. Third parties have asserted, and in the future may assert, claims against us alleging that we infringe their intellectual property rights. If we do not succeed in any such litigation, we could be required to expend significant resources to pay damages, develop non-infringing technology or to obtain licenses to the technology which is the subject of such litigation. However, we cannot be certain that any such licenses, if available at all, will be available to us on commercially reasonable terms. Defending these claims may be expensive and divert the efforts of our management and technical personnel.

In addition, third parties may attempt to appropriate our confidential information and proprietary technologies and processes used in our business, which we may be unable to prevent. Existing laws of some countries in which we conduct business may offer only limited protection of our intellectual property rights, if at all. We rely upon a combination of trade secrets, confidentiality policies, nondisclosure and other contractual arrangements, and patent, copyright and trademark laws to protect our intellectual property rights; however, the steps we take in this regard may not be adequate to prevent or deter infringement or other misappropriation of our intellectual property, and we may not be able to detect unauthorized use or take appropriate and timely steps to enforce our intellectual property rights.

If our mobile handset joint venture arrangement with Sony or other arrangements with strategic partners do not progress as planned, our business could be negatively impacted.

In 2001, we formed Sony Ericsson Mobile Communications, a joint venture with Sony Corporation for the development, design, sales and distribution of mobile handsets to which we transferred substantially all of our handset business. If this joint venture is unsuccessful on account of unsuccessful product development, limited market acceptance of new products or for any other reason, we may not be able to compete successfully or at all in the mobile handset market. We have also entered into other strategic development arrangements with third parties, which typically involve the contribution by each party of various resources including technology, research and personnel, and we may continue to do so in the future. If these arrangements do not develop as expected, whether as a result of having incorrectly assessed our needs or the capabilities of our strategic partners, our ability to work with joint venture partners or otherwise, our ability to develop new products and solutions may be constrained and this may harm our competitive position in the market. Additionally, charges relating to, or our portion of any losses from, joint ventures may adversely affect our financial condition or results of operations.

Changes to the regulatory environment for telecommunications systems and services could negatively impact our business.

Our industry is heavily regulated, and both we and our customers may be affected by changes in regulation of telecommunications systems and services. For example, changes in regulation that impose more stringent, time-consuming or costly planning, zoning or building approval requirements regarding the construction of base stations and other network infrastructure could adversely affect the timing and costs of new network construction or expansion and the commercial launch and ultimate commercial success of these networks. Expensive government license fees can cause network operators to incur substantial indebtedness and fundamentally affect operators' businesses, profitability and financial condition, as well as the demands network operators make on suppliers of network systems and services such as us. Similarly, tariff regulation that adversely affects the pricing of new services could affect the sales of our systems and services. Environmental, health and safety and privacy regulations may increase costs and restrict operations of telecommunications companies and network operators. The indirect impact of these changes in regulation could affect our business adversely even though the specific regulations do not directly apply to us or our products.

We are subject to regulatory, foreign exchange and other risks associated with international operations.

We conduct business in over 140 countries around the world with the majority of our sales originating from countries in Western Europe and the Asia Pacific region. Changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls or other governmental policies in the countries in which we conduct business could limit operations and make the repatriation of profits difficult. In addition, the uncertainty of the legal environment in some regions could limit our ability to enforce our rights. Our results could also be materially adversely affected by weak economic conditions in countries in which we do significant business as well as by changes in foreign currency exchange rates which can introduce significant volatility to our rates of growth. We also have extensive operations in emerging markets such as China, Latin America, the Middle East and Africa which involves certain risks, including volatility in gross domestic product, civil disturbances, economic and governmental instability, nationalization of private assets and the imposition of exchange controls.

We are dependent upon hiring and retaining highly qualified management and technical personnel.

Competition for highly qualified management and technical personnel is intense in the telecommunications market. In particular, there is a high demand for engineers, information technology experts and other highly specialized personnel to develop new technologies and products and provide services to our customers. Our future success depends in part on our continued ability to hire, develop, motivate and retain engineers and other qualified personnel needed to develop successful new products, support our existing product range and provide services to our customers. There can be no assurance that we will continue to be successful in attracting and retaining highly qualified employees in the future, especially in light of our prior and planned headcount reductions.

Our share price has been and may continue to be volatile.

Recent announcements by major corporations concerning irregular accounting practices and overstated profits, as well as profit warnings and negative earnings announcements by companies in the telecommunications sector have led to significant volatility in the global equity markets in general and in telecommunications-related stocks in particular. As a result, investor confidence in the telecommunications sector remains weak and further announcements or speculation regarding irregular accounting practices could further weaken investor confidence and depress global equity market values.

Our share price has been volatile due in part to the high volatility in the securities markets generally, and in telecommunications and technology companies' shares in particular, as well as developments from quarter to quarter which impact our financial results. Factors other than our financial results that may affect our share price include but are not limited to:

- market expectations of the performance and capital spending plans of network operators;
- the level of business activity or perceived growth in the market for telecommunications services in general;

- investor perception of, as well as the actual performance of, other telecommunications and technology companies;
- investor perception of the success and impact of our proposed rights offering and other offerings of securities;
- a downgrade or rumored downgrade of our credit ratings;
- announcements by our key customers or announcements concerning financial difficulties for customers for whom we have provided financing or with whom we have entered into material contracts;
- announcements by our key competitors concerning the award of large supply agreements or contracts for network roll-out;
- potential litigation involving ourselves or the industries in which we operate;
- announcements concerning the bankruptcy or other similar reorganization proceedings involving, or any investigations into the accounting practices of other telecommunications companies;
- technical problems, in particular those relating to the introduction and viability of 3G;
- a change in end-user sentiment or their adverse view of newly introduced technology or services;
- announcements concerning the relative success of or timetables for 3G mobile networks, systems and services; and
- general market volatility.

Currency fluctuations may adversely affect the trading prices of our B shares and American Depositary Shares ("ADSs") and the value of any distributions we make thereon.

Because our B shares are quoted in domestic currencies on local exchanges and the ADSs are quoted in U.S. dollars, fluctuations in exchange rates between the Swedish krona and currencies in which the B shares or ADSs are quoted may affect the value of your investment. In addition, because we pay cash dividends in Swedish kronor, fluctuations in exchange rates may affect the value of distributions if your arrangements with your bank, broker or depositary, in the case of ADSs, call for distributions to you in local currencies. Please review the information under "Item 3A: Selected Financial Data – Exchange Rates" for additional information on exchange rates.

ITEM 4. INFORMATION ON THE COMPANY

History and Development

Telefonaktiebolaget LM Ericsson (publ) is a limited liability company organized under the Swedish Companies Act. We were incorporated on August 18, 1918, as a result of a merger between AB LM Ericsson & Co. and Stockholms Allmänna Telefon AB. Our origins date back to a manufacturing business for communications equipment founded in Stockholm in 1876. Our A and B shares are quoted on Stockholmsbörsen (the Stockholm Exchange). Our B shares are also quoted on the exchanges in Düsseldorf, Frankfurt, Hamburg, London, Paris and Zurich. Our ADSs are quoted on NASDAQ. Our registered office is located at Telefonvägen 30, S-126 25 Stockholm, Sweden, telephone +46 8 719 00 00. Our agent in the United States is Ericsson Inc., Vice President, Legal Affairs, 740 East Campbell Road, Richardson, Texas 75081. Our web site is www.ericsson.com. This web site address is not an active hyperlink to our web site. Information on our web site does not form part of this document.

For a description of our principal capital expenditures and divestitures since the beginning of our last three financial years to the date, see "Item 5: Operating and Financial Review and Prospects."

Business Overview

We are an international leader in the development and supply of advanced systems and services for mobile and fixed line communications to network operators. Our broad range of telecommunication and data communication products includes end-to-end solutions, systems and services that enable mobile and fixed-line networks to transmit voice, data and multi-media communication with reliability, efficiency and speed. Through our recently created joint venture, Sony Ericsson Mobile Communications, we offer a range of mobile handsets, including handsets which support multi-media applications, and other personal communication devices. We also offer a variety of other systems and services to other equipment and handset suppliers related to our core expertise in telecommunications technologies.

Business Strategy and Long Term-Goals

Our primary business objective is to strengthen our position as a leading provider of communication systems and services. Our strategy for achieving this objective calls for us to:

- Lead market development through constant innovation and the development of standards;
- Further develop our long-standing customer relationships with network operators;
- Exploit our position as a global market leader; and
- Continue to control costs and further enhance efficiency.

Lead market development through constant innovation and the development of standards

Innovation and creativity are important elements of our corporate culture. We have a long tradition of developing innovative communication technologies, including technologies which help to establish industry standards. For example, we were leaders in the early shift from analogue to digital mobile telephony, a critical stage of development for the growth in wireless communications, and we have pioneered the development of industry-wide technology standards such as WCDMA, GPRS and Bluetooth. We will continue to support innovation through our commitment to research and development. In particular, we will continue to devote significant resources to developing end-to-end communication solutions to support the rapid expansion and integration of the Internet and multi-media services. Our goal is to build our business by developing and implementing solutions that will drive network traffic and thereby enable our customers to succeed.

Further develop our long-standing customer relationships

We have strong relationships with the world's leading mobile network operators and many of the world's leading fixed-line operators. We believe we have a long-standing reputation for reliable, innovative and cost-effective systems and services. As the telecommunications industry consolidates into fewer, larger network operators, we believe our position in the industry and our strong customer relationships will be significant competitive advantages for us. We will work with network operators to tailor products, solutions and services to meet their evolving needs, such as developing solutions for integrating mobile and fixed telecommunications systems and providing expanded network management services. We believe that our ability to offer end-to-end solutions – systems, applications, services and core handset technology – together with our in-depth knowledge of customer requirements, make us well positioned to assist network operators to optimize their products and services.

Exploit our position as a global market leader

We provide products and services to over 500 operators in over 140 countries. We have significant sales in each of the largest geographic markets for telecommunications and are a supplier of wireless communication equipment to the world's 10 largest mobile network operators. Our expertise and experience in all major mobile communication standards and proven track record for quality and innovation have allowed us to develop our business on a global basis. We are utilizing our strong international presence and core competence in mobile communications to expand into growth areas such as network management services. We also aim to use our global reach to develop alliances with suppliers and manufacturers in order to increase our combined effectiveness. We believe that our global presence and breadth of product offerings are competitive advantages as our customers increasingly seek to provide telecommunications services globally.

Continue to control costs and enhance efficiency

We continuously monitor and adjust our product portfolio to focus on innovative products that can be produced by us on a cost-effective basis and sold profitably. We work with suppliers and manufacturers to exploit our economies of scale to secure low-cost, high-quality components and produce our product line more cost-effectively. We have implemented efficiency programs resulting in increased standardization of internal processes and support systems, which will allow us to quickly adapt to market conditions and customer needs. We also have introduced procedures to better evaluate and reward employees based on performance. In addition, we focus on developing and maintaining high levels of competence in our employees to secure our leading market position and to stay in the forefront of technology development.

Business Segments

In the fourth quarter of 2001, we reorganized our operations and management structure to provide greater focus on our core competencies in mobile and wireline communications networks. We now conduct our business in three business segments:

- Systems;
- Phones (through our 50/50 joint venture with Sony); and
- Other Operations.

Effective October 1, 2001, Sony Ericsson Mobile Communications ("Sony Ericsson") assumed substantially all of the Phones segment operations. As of such date, 50 percent of the results of Sony Ericsson are reported under "Earnings from Joint Ventures and Associated Companies" pursuant to equity accounting principles. Please see "Item 5: Operating and Financial Review and Prospects" for additional financial information and operating data by business segment and geographic area.

Systems

We offer a complete portfolio of solutions to operators for both mobile systems and wireline multi-service networks. Our solutions include a comprehensive portfolio of telecommunication and data communication products supported by a full range of implementation and network management services. We sell our systems and services to over 500 operators worldwide. We work closely with our customers to understand their businesses and their technology needs and design tailored solutions to help them reach their strategic objectives. We supply mobile systems to most major wireless network operators, for example, in Europe, Hutchison, KPN, Orange, T-mobile, Telecom Italia Mobile, Telefónica, and Vodafone; in North America, AT&T Wireless and Cingular; and in Asia Pacific, China Mobile, China Unicom, NTT DoCoMo, SingTel and Telstra. We provide our multi-service network systems to large wireline operators around the world including BT, China Telecom, Telefónica and Telmex, among others.

Mobile Systems – Industry and Technology

We provide mobile systems solutions to network operators that enable reliable, efficient and cost effective wireless networking. Wireless networking refers to communications networks that allow end-users to receive voice and data communications using mobile handsets or other wireless devices. Wireless communications networks are often grouped by the technology upon which they are based:

- First generation of wireless communication, or 1G, refers to analog radio and analog and/or digital circuit switching technologies mainly for mobile voice communications. Circuit switching technology establishes a connection on demand and holds it open, regardless of whether data is sent;

- Second generation wireless communication, or 2G, refers to digital radio and digital circuit switching technologies that enable networks to carry voice communications and limited data transmissions. The majority of wireless communications networks are currently based on 2G wireless technologies. Many 2G networks have been enhanced with packet-switched transmission capabilities for more efficient data communication. A packet-based network is one in which data is sent in small chunks, called packets. There is no fixed path from the sender to the receiver, so each packet must identify the source and destination. This is often referred to as 2.5G; and

- Third generation wireless communication, or 3G, refers to digital wireless communication networks based on packet-switched network technology that enables voice, high-speed data and multi-media communications.

Each generation of wireless technology is associated with different international technology standards for wireless communications networks. Transitioning from one generation to the next, such as from 2G to 3G, requires network operators and mobile handset manufacturers to adopt new and emerging technology standards. We believe that the migration from basic voice services to mobile multi-media services is the primary technological shift facing today's wireless network operators.

The most widely deployed standards today are largely comprised of 2G technologies and can be summarized as follows:

- *Global System for Mobile communications*, or GSM, is used throughout the world and is the most widely deployed standard. GSM is a 2G wireless technology that uses time slots within a specified radio frequency channel to distinguish one call from another.

- *Code Division Multiple Access*, or CDMA (called cdmaOne), is used in both the Americas and increasingly in Asia. CDMA is a 2G wireless technology that uses coding technology to distinguish one call from another, with all calls in a specific cell transmitted over the entire range of radio frequencies assigned to the network operator.

- *Time Division Multiple Access*, or TDMA, is used primarily in North and South America. TDMA is a 2G wireless standard that, like GSM, uses timeslots within a radio frequency channel to separate users' conversations.

- *Personal Digital Cellular*, or PDC, is a digital wireless standard based on TDMA technology used only in Japan.

The standards for 3G networks are as follows:

- *Wideband Code Division Multiple Access*, or WCDMA, is a 3G wireless technology that combines wideband (5 MHz (megahertz)) and CDMA-based radio access.

- *Universal Mobile Telecommunications System*, or UMTS, is often used synonymously with WCDMA. UMTS is the term used for the combination of the WCDMA radio standard and advanced switching technologies when used in the 2.1 GHz (gigahertz) band, as is the case in Europe. UMTS includes WCDMA radio access technologies and core network specifications that are based on the GSM standard.

- *Enhanced Data Rates for Global Evolution*, or EDGE, is used to give 3G capabilities to networks based on the GSM standard and TDMA technology.

- *CDMA2000 1XEV/DO* is used for cdmaOne networks that are evolving to 3G standard for voice and high-speed data mobility.

As described above, several technology standards have been deployed to enable the 2G mobile communication networks that are in operation today. The path of migration from a 2G network to a 3G network varies depending on the technology used by the existing 2G network. As a result, in order to provide tailored solutions to a wide range of today's network operators, infrastructure providers must have a fundamental understanding of all existing and emerging standards. The network components for 3G networks are similar to GSM/GPRS networks with the addition of multi-service network nodes that are capable of more efficiently transmitting both circuit and packet-switched traffic. The 3G networks to be introduced by GSM network operators will use the same GSM/GPRS core network components to take advantage of previous investments in their existing network in evolving from 2G to 3G.

In addition, due to the complexity and costs of implementing a 3G network, many network operators are upgrading their networks to intermediate technologies, such as GPRS and CDMA2000 1X. Such intermediate technologies are often referred to as "2.5G" services and can be described as follows:

- GPRS is an enhancement of GSM networks. GPRS introduces packet-switched data transmission and enables "always on" mobility. The implementation of GPRS requires software upgrades to an existing GSM network and the addition of packet-switching nodes.

- CDMA2000 1X is a successor to the cdmaOne standard that enables higher-speed wireless networks for data, voice and multi-media communication. Ultimately, networks using CDMA2000 1X will need to be further upgraded in order to provide capacity levels equivalent to CDMA/EDGE.

2.5G allows operators to migrate end-users to premium services without the need for major network reconstruction. This migration, however, will represent a fundamental change in the way services are managed and billed by network operators. Due to 2.5G packet-switched data and "always-on" functionality, network operators may charge end-users for the type and amount of data they send and receive rather than the time they are connected to the network. The transition to a charge-for-data business model is a crucial step in the evolution of network operators, as successful migration of network operators to 3G systems in the future is expected to require the adoption of a similar business model. Thus, if migration to 2.5G with new business models becomes successful, market demand and some network preparations will already be in place for 3G migration.

Mobile Systems – Our Solutions

We believe we are the leading supplier of mobile telecommunication systems, including 2G, 2.5G and 3G. Our expertise in all major 2G standards and our role in developing 3G standards allow us to offer mobile telecommunications systems that incorporate each of the major 2G, 2.5G and 3G mobile technology standards. As a result, we are able to offer tailored solutions to a network operator regardless of the existing standard used in its network. Our systems offering includes cell site equipment, radio base stations, base station controllers and radio network controllers, mobile switching centers, service application nodes and other nodes for billing and operations support. A node is an element of a network which can be programmed for switching, routing, generating billing records and other functions.

Sales of our mobile telecommunications systems consist primarily of radio base stations, base station controllers and switching centers. Radio base stations provide access and interconnection between mobile handsets and the mobile network. Base station controllers manage the traffic between the radio base stations and mobile switching centers, which are the nodes between the radio system and the public-switched telephone network. Base station controllers, in conjunction with mobile switching centers, effect call handovers between radio base stations as subscribers move between cell sites while engaged in a voice call or data transmission. We offer a complete portfolio of radio base stations ranging from small pico cells (i.e., small cells in a mobile network that boost capacity and coverage within buildings) to high capacity macro cell applications. Our mobile switching center and base station controller are built from a common switching platform, allowing them to be configured into multi-functional nodes. This reduces the initial cost of circuit switching for smaller networks while providing the flexibility to easily expand capacity in the future. Another central feature of all our 2G GSM radio base stations and base station controllers is their ability to be upgraded on a cost-effective basis to enable 2.5G GPRS and 3G EDGE transmissions. Like our radio base station products, our mobile switching center products have industry-leading scalability and capacity. Our GSM radio base stations represent more than one third of all GSM radio base stations in service globally.

We also offer a full line of transmission systems using either wireless or optical technologies. These systems are the transmission links between the nodes of a mobile network. We offer microwave radio links that can be used to "backhaul" the traffic between radio base stations and base station controllers as well as between base station controllers and mobile switching centers. Wireless backhauling (i.e., transporting data and voice from a network access point to a central switching point in mobile systems) with microwave radio links reduces the need for the operator to lease transmission capacity from wireline operators resulting in significant cost savings for the wireless operator. Our MINI-LINK is one of the market leaders for such backhaul applications, with thousands of links deployed. A new generation of MINI-LINK systems is now being introduced with an expanded capacity to support the increased traffic demands of Mobile Internet and 3G, as well as to serve the market for fixed wireless broadband access.

By offering comprehensive upgrade paths for migrating to high speed/high-capacity networks, we allow maximum use of existing equipment and previous investments, thereby improving network operators' capital investment returns. We believe that this approach is of central importance today because most network operators are capital constrained at present. We believe that our ability to meet the diverse technology needs of our customers with high value-added solutions has been instrumental in our being chosen as a provider of wireless communication equipment to the world's 10 largest mobile network operators. We believe that these operators account for more than 50 percent of all subscribers in the world and we expect their share to increase with continued industry consolidation.

Our mobile telecommunications systems offering extends beyond assisting network operators in optimizing and upgrading network functionality. We also offer a suite of Mobile Internet products, services and applications that enable network operators, Internet Service Providers and content providers to develop commercial opportunities presented by new systems. Our products and applications enable services such as messaging, personalization services, information services, entertainment services, location-based services and m-commerce. For example, we are actively developing the next generation of messaging services called Multi-Media Messaging (MMS). We have also established Ericsson Mobility World, a global network of regional centers and global and local web-based facilities. This open industry-wide initiative is a global network of more than 100,000 technology professionals from more than 2,000 companies, working in partnership towards successfully implementing the Mobile Internet.

Multi-Service Networks — Industry and Technology

The last decade has seen a dramatic increase in the volume of data that is being transmitted through wireline networks. The development of the Internet and network connectivity, in addition to increasing amounts of multi-media, data and voice transmissions, have placed severe strains on the capacity limitations of existing wireline networks. Modern networks must also be able to reliably connect voice calls in real time while transmitting irregular, and often very large, bursts of data. Many network operators currently manage multiple networks to accommodate voice, data, video and Internet transmissions. Multiple networks, however, are expensive to maintain and costly to upgrade.

Wireline network operators are moving from single-service networks toward new multi-service networks that have the ability to simultaneously handle multiple services, such as voice, text and images. Offering these services requires wireline operators to migrate from existing circuit-switched networks to packet-switched networks. Circuit switched voice services, however, are the primary revenue generator for today's wireline network operators and a key area for continued profitability. As a result, network operators are required to strike a careful balance between making short-term investments in circuit-switched products to protect current revenues and long-term investments in packet-switching technology to prepare for the future. In addition, due to the difficult economic climate and volatile financial market conditions, many network operators have been forced to reduce capital expenditure budgets and implement cost-reduction measures without compromising new and existing business ventures.

Multi-Service Networks – Our Solutions

We offer multi-service networking solutions to fixed-line operators. We have a long history in wireline networking with an installed base of access and transit lines equivalent to 160 million lines. We supply wireline operators with systems solutions that allow them to start to upgrade their legacy networks to efficiently handle a mix of voice, data, video and Internet traffic. Our solutions for multi-service networking include systems and services for circuit switching, next generation (packet-switched) networking and broadband (i.e., a channel with more than two Megabits per second of bandwidth). These solutions enable network operators to start to replace multiple networks with a unified multi-service network capable of handling all of these services. The primary systems and services we offer for multi-service networking are our AXE solution and our ENGINE solution.

Our circuit-switched solutions are based on our AXE product range, which is our open architecture communication platform and the basis for our wireline and mobile systems. AXE is one of the most widely used switching systems in the industry today. AXE systems have been deployed in 135 countries, connecting more than 500 million wireline and mobile subscribers. Our AXE products include local switching centers that interconnect individual access lines from homes and businesses to the telephone network and transit switching centers that interconnect local switching centers for calls between subscribers connected to different local switches. By establishing a transit-switching layer, operators are able to minimize the number of trunks or inter-switch connections between switching centers and optimize the traffic routes within their network.

Our AXE solutions are tailored to meet specific needs for different types of operators, from local dial tone providers to long distance providers. A full range of software-based supplementary subscriber services (such as Centrex, our business services package, call forwarding and caller ID) are available for additional revenue streams. These service capabilities are continuously enhanced and expanded to ensure that the operators using AXE are able to offer the latest and most competitive subscriber features to their customers.

Our AXE-based circuit switching solutions are designed to safeguard operators' current profitability, while helping them prepare for the future through continuous enhancements. The latest AXE switch is a first step in a migration to a packet-based multi-service network. Investments in AXE support a transition to Ericsson's ENGINE multi-service network solution.

Our proprietary ENGINE solution is the world's leading solution for upgrading narrowband networks to packet switched networks. ENGINE enables networks to migrate from a traditional circuit-based network to a packet-based network. This migration to a packet-based network is a necessary step in order to combine broadband Internet, voice and data traffic into one multi-service network rather than three separate networks.

We attribute part of the success of our ENGINE solution to our pragmatic approach to migration and network evolution. We recognize that, for most operators, building an entirely new network is prohibitively expensive. By offering solutions that provide flexible paths for network migration and evolution, we satisfy the objective of the network operator to offer multiple services on a cost-effective basis. Offering this flexibility and scalability is fundamental to the success of our ENGINE solution.

Services

We currently employ over 17,000 employees in services worldwide and have the ability to offer a comprehensive range of services to network operators both to support our product portfolio and on a stand alone basis. These services include advisory services, network integration services and network management and support services.

We believe that services will play an important role in our business. Network operators are focusing increasingly on optimizing, maintaining and reducing the costs of running their existing networks. This trend has been reinforced by current constraints on the ability of many network operators to make capital expenditure. As a result, an increasing number of network operators are outsourcing network design, management and maintenance activities. During 2001, our services recorded net sales of SEK 40 billion, or 21 percent of total net sales, up from 16 percent in 2000 and 16 percent in 1999. 40 percent of our sales from services in 2001 were related to telecom management and professional services which grew by 25 percent in 2001.

We have established the following broad categories of service areas. Our comprehensive portfolio of services can be bundled and customized to meet the needs of existing and new network operators.

Advisory services. We provide consulting services to network operators for business planning and development, design and optimization of networks and the introduction of new services and management solutions. Our global competence development program is designed to provide training and education to network operators in order to improve staff competency and develop skills in new product areas.

Network Integration services. We provide services designed to permit network operators to implement new technologies and applications in a cost-effective manner in the shortest possible time. This area comprises solutions for the roll-out of a new network, integration of end-user applications or migration from one network standard to another such as from 2G to 3G through network implementation and integration, site acquisition and civil works activities.

Network Management and Support services. Our portfolio of management services is designed to assist network operators to provide uninterrupted service and run their networks efficiently and may comprise solutions for managing service levels by providing customers with technical assistance, system maintenance and repair and return. We also provide total network management solutions and have signed over 30 contracts to operate networks on behalf of network operators.

Phones

Sony Ericsson Mobile Communications

In October 2001, we restructured our extensive mobile handset business, moving substantially all of our handset operations to a new joint venture called Sony Ericsson Mobile Communications. We retained the intellectual property relating to our core handset technology within Telefonaktiebolaget LM Ericsson.

In association with the Sony Ericsson joint venture, we can provide a full range of mobile handsets, including multi-mode devices that combine different radio technologies, enabling subscribers to roam between networks and facilitating easy migration from 2G to 3G. Our 50 percent ownership interest in Sony Ericsson also allows us to monitor the requirements and preferences of the end-user market for mobile handsets which we see as an important driver for our mobile systems business and supports our ability to provide end-to-end systems to our customers.

We believe that as data-enabled GPRS and 3G handsets begin to penetrate the marketplace, product design along with the availability of games, music and other applications will take on an increasingly important role in the end-user marketplace. Our partnership with Sony allows us to combine our knowledge of advanced mobile telecommunications technologies with Sony's multi-media operations and its expertise in developing, designing and branding household consumer electronic devices, such as the Walkman and Playstation. The joint venture recently unveiled the P800, an advanced pen-based smartphone based on the Symbian Operating System that features a large color touch-screen, a built-in camera and a multi-mode browser.

As part of establishing the Sony Ericsson joint venture, we transferred approximately 3,000 employees primarily in development and marketing to the joint venture. We also entered into licensing arrangements to provide platform technology to the joint venture. The Sony Ericsson joint venture markets a full range of advanced multi-media mobile handsets under the brand names "Sony", "Ericsson" and "Sony Ericsson". By 2003, we expect that the joint venture will market all mobile handsets under the "Sony Ericsson" brand.

Other Operations

This segment principally consists of technology licensing, business innovation and enterprise systems, which we consider part of our core operations and defense systems and network technologies, which we consider non-core activities. It is our current intention to divest certain non-core activities such as network technologies (cables).

Technology Licensing

Mobile Platforms. Our Mobile Platforms group offers GSM 2G /GPRS/2.5G and WCDMA/EDGE 3G technology platforms to manufacturers of mobile handsets and other wireless devices on the open market. These platform technologies are based on our global leadership in standardization and our comprehensive intellectual property portfolio. Ericsson technology platforms include complete component specifications, printed circuit board layouts and software. We also offer support and service in customizing these platforms. By licensing our platforms, manufacturers can launch new products with limited research and development investments and can produce differentiation such as applications, industrial design, distribution and branding. We currently provide mobile platform products to several mobile phone suppliers, including the Sony Ericsson joint venture, among others.

Bluetooth Technology Licensing. Ericsson Technology Licensing provides Bluetooth solutions tailored for the mass-market to many of the world's largest manufacturers. Based on technology initially developed by us in the early 1990's, Bluetooth is a global low-power, low-cost technology standard that enables stationary and mobile devices to communicate wirelessly at short ranges. Our application-oriented solutions incorporate the creation, development, licensing and delivery of Bluetooth intellectual property. Our Technology Licensing group provides a complete portfolio of products and services including Baseband, Radio and Software, all supported by development tools, qualification, training and consulting. We helped found the Bluetooth Special Interest Group (SIG) and was the first company to put Bluetooth consumer products into mass production.

Business Innovation

Our Business Innovation group develops ideas that could lead to future core businesses. Working with both internal and external project teams, our Business Innovations group seeks to develop ideas that are in line with our core business and that demonstrate strong potential for profitability.

Enterprise Systems

Our Enterprise Systems group provides mobile communications systems and services that enable businesses, government entities and educational institutions to have seamless access to applications and services across multiple locations. We focus on providing mobile solutions such as wireless local area networks (WLAN), and mobile Intranet solutions such as our Mobile Organizer and Virtual Office products. We also provide business applications such as our Contact Center product and unified messaging services. We sell our enterprise systems via indirect distribution channels to network operators, systems integrators, value-added resellers and distributors.

Microelectronics

Through our Microelectronics group, we design, manufacture and market microelectronic devices and modules for mobile handsets, radio base stations, and network switches and routers. The organization's diverse product range includes radio frequency modules, subscriber line interface circuits (SLICs), baseband ICs and DC to DC board mounted power modules. A large portion of net sales from our Microelectronics group is attributable to intersegment sales.

Defense Systems

Our Defense Systems group supplies advanced airborne, ground-based and marine radar systems. Versions of Ericsson defense systems are operational in Sweden and more than 20 other countries.

Network Technologies (Cables)

Our Network Technologies group is a leading network specialist providing a full-range of solutions that integrate copper and optical cables and power networks. We organize our group into four business areas: Fiber Networks, Interconnect, Fusion Splicing, and Energy. Our primary markets include Scandinavia, China, the United States, Brazil, the United Kingdom and Thailand. A large portion of net sales from our Network Technologies group is attributable to intersegment sales.

Suppliers

We purchase customized and standardized equipment and components from a core group of global providers of electronics manufacturing services including Flextronics, Solectron and Sanmina-SCI. We also purchase equipment or components from numerous local and regional suppliers. We are not dependent on any one supplier for the provision of standardized equipment or components. We generally place purchase orders for our standardized equipment requirements pursuant to global supply agreements which we have negotiated with our primary suppliers. Payment terms are generally 45-60 days. The Sony Ericsson Mobile Communications joint venture has outsourced the majority of production of mobile handsets to Flextronics and uses other contract manufacturers.

A number of our suppliers design and manufacture highly specialized and customized components for our networks. Although we work closely with our suppliers to avoid shortages and ensure alternative sources of supply, we may not have immediate access to alternative sources of supply for highly specialized components, see "Item 3D: Risk Factors—Risks Associated With Our Business—If our outside suppliers fail to deliver satisfactory components and manufacturing services on time, our financial results could be negatively impacted."

We work closely with our suppliers and consult with them regularly at the executive, management and operational levels with regard to our production requirements and design specifications. We believe that this strategy has allowed us to foster strong relationships with quality suppliers.

Customers

We supply mobile systems to most major wireless network operators, for example, in Europe, Hutchison, KPN, Orange, T-mobile, Telecom Italia Mobile, Telefónica, and Vodafone; in North America, AT&T Wireless and Cingular; and in Asia Pacific, China Mobile, China Unicom, NTT DoCoMo, SingTel and Telstra. We provide our multi-service network systems to large wireline operators around the world including BT, China Telecom, Telefónica and Telmex, among others. Approximately 60 percent of our net sales in 2001 were attributable to our 20 largest customers.

Sales, Marketing and Support

We use a direct sales force to market and sell our systems and services to customers in over 140 countries. We divide our sales and marketing operations into three primary market areas:

- Europe, Middle East and Africa;
- North, South and Central America; and
- Asia Pacific.

These primary markets are further subdivided into a total of 35 market units, with each typically representing a single country or a group of countries depending on the extent of our business activities in that region. The majority of these market units operate locally through subsidiaries that are present in those countries. We use our local knowledge to help our customers move into new markets and our global scale to enable them to achieve greater efficiencies and access to recognized world-class resources wherever they operate. In addition to our market units, we also operate global customer units that provide focused sales and marketing activities targeted at our large multinational customers.

Our market and global customer units are responsible for every stage of the sales cycle, including identifying opportunities, tailoring our solutions to the needs of individual customer, and integrating our products into the customer's network environment. The market and global customer units rely on the expertise of primary business units in tailoring and integrating our products for delivery to customers. As of May 1, 2002 these business units are:

- Systems: Mobile Systems (WCDMA/EDGE/GSM/GPRS/TDMA and PDC), Multi-Service Networks and Data Backbone;
- Mobile Systems: CDMA;
- Global Services; and
- Transmission and Transport Networks.

The market and global customer units are also responsible for after-sales support and rely in particular on the Global Services business unit in fulfilling this function. Frequently, a market unit and customer unit will work together in providing products, solutions and services to our large customers.

Our market and global customer units focus on offering systems and services related to mobile systems and wireline multi-service networks. Businesses in our Other operations segment market their systems and services through internal sales and marketing functions. Often these internal sales and marketing teams work with our market and global customer units in approaching certain markets or large customers with whom we have a relationship.

In 2001, we disposed of certain of our enterprise distribution operations related to direct-sales and support while retaining core product development and supply functions. This disposal enabled us to reduce our cost base and we believe it will facilitate the integration of our systems and services by original equipment manufacturers and other value added re-sellers.

Research and Development

We believe that our future success depends in large part on our continuing ability to deliver systems and services based on advanced technologies. Accordingly, we consider these activities to be core to our business and remain committed to continue to make significant investments in research and development. As of March 31, 2002, we had over 25,000 employees actively engaged in research and development. During 2001, our research and development expenditure was SEK 46.6 billion, or 20.1 percent of net sales. Our commitment to research and development is reflected in over 1,100 new patent filings in 2001.

Our research activities are focused on technologies and standards that are three to 10 years away from implementation. We are currently conducting innovative research in areas such as all IP-based networks, optical networks, multi-carrier power amplifiers and in systems beyond 3G technologies. We are also continuing to conduct research into advanced 3G technologies based on WCDMA.

Our product development teams usually work with technologies that are less than three years away from commercialization and focus on developing products rather than the underlying technologies themselves. Our product pipeline currently includes end-to-end solutions for all 3G technologies, such as WCDMA, CDMA2000 and EDGE. In addition, it includes products and enablers for Mobile Internet, broadband and fixed-line solutions.

Intellectual Property and Licensing

As of March 31, 2002, we held over 10,000 patents worldwide. In addition, we hold numerous trademarks in Sweden and other countries in which we operate. We believe that patent and trademark protection is an integral part of our business and complements the technological expertise, innovative talent and marketing capabilities of our employees.

Through many years of involvement in the development of new mobile technologies, we have built up a considerable portfolio of essential intellectual property rights relating to advanced mobile telecommunications technologies. We hold a substantial number of essential patents related to WCDMA, and numerous essential patents related to other 3G standards, including CDMA2000 and EDGE. The expiration dates for these patents range from 5 years to 20 years. We also hold important patents for many other standards including ATM, WAP, WLAN and Bluetooth. ATM, or Asynchronous Transfer Mode, is a form of packet-switching technology used for the broadband transmission of high-capacity data and telecommunication signals, and WAP, or Wireless Application Protocol, is a free, unlicensed protocol that allows users access to telecommunication services and Internet-based information from their mobile telephones. The expiration dates for these patents range from 10 years to 20 years.

Our intellectual property rights are a valuable business asset and we license these technologies to a number of handset manufacturers and wireless applications developers, including Sony Ericsson Mobile Communications. Bluetooth licensing takes place almost exclusively through Ericsson Technology Licensing. For more information regarding Bluetooth licensing, see "Item 4: Information on the Company—Other Operations—Ericsson Technology Licensing." Technology licensing activities are carried out by a centralized licensing group located at our headquarters in Stockholm.

We often enter into cross-licensing agreements with other companies holding patents to technology related to our products, as well as with companies using technology related to patents held by us.

Joint Ventures, Cooperation Arrangements and Venture Capital

In addition to our joint venture with Sony, which we describe under "Item 4: Information about the Company—Sony Ericsson Mobile Communications", we are engaged in joint ventures, cooperation arrangements and venture capital initiatives with a number of industry participants.

Ericsson Juniper Networks Mobile IP

In November of 2000, we formed a joint venture with Juniper Networks, named Ericsson Juniper Networks Mobile IP, of which we own 60 percent. This venture combines our mobile IP expertise with Juniper's experience in IP routing systems to facilitate the interaction between mobile voice networks and IP data networks. The joint venture provides Mobile Internet routing products to customers including Internet Service Provider's and wireless network operators building GPRS and 3G networks.

Symbian

We also participate in the development of the EPOC wireless operating system through our 19.4 percent ownership interest in Symbian. Symbian was established as a private company in June of 1998 and is jointly owned by Ericsson, Nokia, Matsushita (Panasonic), Motorola, Psion, Sony Ericsson and Siemens. Symbian is a software licensing company that supplies the Symbian Operating System for data-enabled mobile handsets. Our involvement in Symbian helps to promote and develop this advanced, open operating system which we believe will be instrumental in facilitating the growth of the Mobile Internet.

Venture Capital

In order to support the development of Mobile Internet applications, systems and services, we continue to participate in numerous venture capital investments. We make direct investments through our operating subsidiaries in companies that are strategic to our core businesses. We also make direct investments in smaller start-up companies through our Business Innovation group. In addition to direct investments, we have also formed joint ventures to facilitate and support our venture capital activities. For example, Ericsson Venture Partners was formed in 2000 together with Investor AB, AB Industrivärden and Merrill Lynch. The venture focuses on investments in the communications industry in Europe, the Americas and the Middle East with particular emphasis on the Mobile Internet market.

Property, Plant and Equipment

As of December 31, 2001, we operated 386 office and R&D sites occupying in excess of 30 million square feet in 101 countries. As of that date, we also operated 79 warehouse sites occupying in excess of 2.5 million square feet in 32 countries. We also had 12 manufacturing plants in Sweden and 12 manufacturing plants located in five countries which primarily support our research and development efforts, our Microelectronics group (to be divested) and our Network Technologies group. Substantially all of our properties are leased.

As of December 31, 2001, SEK 60 million worth of land, buildings, machinery and equipment were pledged as collateral for outstanding indebtedness. During 2000 and 2001, we also disposed of the majority of the real properties we owned.

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.

We have set forth below information regarding our manufacturing facilities.

Property	Products	Owned/ Leased	Size
			(sq. meters)
Sweden, Nynäshamn	Mobile Systems	Leased	14,000
Sweden, Kista	Mobile Systems	Leased	19,100
Sweden, Kista	Silicon production, module production	Leased	41,000
Sweden, Kalmar	Module components	Leased	14,000
Sweden, Kumla	Mobile Systems	Leased	40,000
Sweden, Gävle	Mobile Systems Assembly	Leased	82,200
Sweden, Skellefteå	Network Material	Leased	1,500
Sweden, Mölndal	Sensor and Network production	Leased	16,000
Sweden, Borås	MINI-LINK	Leased	33,200
Sweden, Katrineholm	Mobile Systems, Switching systems	Leased	16,500
Sweden, Hudiksvall	Cables	Leased	50,000
Sweden, Falun	Cables	Leased	40,000
US, Lynchburg	Mobile Systems	Owned	8,400
US, San Diego	Mobile Systems	Leased	2,000
US, Morgan Hill	Module Components	Leased	2,000
US, Hauppange	Power Modules	Leased	4,000
Spain, Bilbao	Data Modules	Owned	6,600
India, Jaipur	Mobile Systems Assembly	Leased	1,000
Brazil, Sao Jose dos Campos	Mobile Systems Assembly	Owned	22,100
China, Shanghai	Module components	Leased	2,000
China, Nanjing	Mobile Systems, Switching systems	Owned	6,100
China, Beijing	Handsets and Mobile Systems	Owned	10,800
China, Nanjing	Handsets	Leased	17,000
China, Chongqing	MINI-LINK	Leased	500

We hold various licenses and permits for our facilities with respect to waste emissions, noise levels and hazardous materials. We are not aware of any significant environmental liabilities at sites owned or leased by us. We have implemented the British Standards Institution (BSI) ISO 14001 environmental management system in all of our production units. In 2001, we were presented with BSI's first-ever worldwide ISO 14001 certification, which confirms our commitment to combining excellent business practices with environmental leadership.

Legal Proceedings

We are party to a variety of legal proceedings arising in the ordinary course of business. These involve allegations of breach of contract, improper delivery of goods or services, product liability and patent and other intellectual property infringement and other matters. We have accrued provisions for litigation risks including the costs of legal representation and expected costs of resolving these matters. We believe that none of these proceedings, either individually or in the aggregate, is likely to have a material adverse effect on our consolidated financial position or results of operations.

Competitors

In our Mobile Systems and Multi-Service Networks segments, we compete with large and established communication equipment manufacturers. Although competition varies depending on the products and services, our most significant competitors in wireless communication include Alcatel, Lucent, Motorola, Nokia, Nortel and Siemens. With respect to wireline communication equipment, the competition is somewhat less concentrated and includes, among others, Alcatel, Cisco, Lucent, Nortel and Siemens. We also compete with numerous local and regional manufacturers and providers of communication equipment and services. We expect the communication equipment market to continue to undergo consolidation which should strengthen the surviving companies but decrease the number of competitors. Financial strength will be a significant factor in this process. We believe the most important competitive factors in this industry include existing customer relationships, the ability to cost-effectively upgrade or migrate the installed base, technological innovation, product design, compatibility of products with industry standards, and the ability to attract and retain the key personnel necessary to develop successful products.

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

Organizational Structure

For a listing of our significant subsidiaries, please see Note 9 to our consolidated financial statements.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following review of our operating results, financial position and prospects should be read in conjunction with our audited consolidated financial statements, and the notes thereto, as of and for each of the three years ended December 31, 1999, 2000 and 2001, included elsewhere in this Annual Report. Our consolidated financial statements have been prepared in accordance with Swedish GAAP. We have restated our consolidated financial statements to consolidate certain entities in accordance with RR 01:00, the new Swedish Accounting Standard for consolidated Financial Statements which is effective in 2002. For a reconciliation of net income (loss) and stockholders' equity to U.S. GAAP, and a discussion of the significant differences between U.S. GAAP and Swedish GAAP, which affect our financial statements, see Note 24 to our consolidated financial statements included herein.

Market Environment and Business Trends

Market Environment

In the markets in which we operate, the years 1999 and 2000 were characterized by the rapid convergence of the data and telecommunications markets. Growth in demand in the area of mobile telephony, driven by strong subscriber growth and increased usage per subscriber, led to increased demand for mobile telecommunications infrastructure. Favorable capital markets conditions, ambitious investment plans of network operators and strong economic fundamentals globally all contributed to this increased demand. During this period, global handset volume increased by 47 percent from approximately 278 million units sold during 1999 to approximately 410 million units sold during 2000. Although operators committed significant investments to mobile networks, wireline systems experienced a flat market, characterized by excess vendor capacity and price competition.

General economic conditions and, in particular, conditions within the telecommunications market deteriorated significantly in 2001 and have continued to deteriorate. Expectations of near term business prospects for telecommunications companies, especially for new industry participants, were significantly reduced. As lower growth expectations emerged capital market access became restricted and network operators took steps to conserve capital, including significantly reducing equipment purchases. This presented us with a number of challenges:

- to secure greater financial flexibility by increasing our cash position, backup liquidity sources and payment readiness;

- to decrease our cost base by, among other things, reducing our workforce and streamlining our operations in response to lower sales volumes; and

- to complete the restructuring of our handset business, thereby improving our profitability and adapting to market trends, including the increasing commoditization of mobile handsets.

In our Systems segment, the difficult industry conditions in 2001, which have continued into the first quarter of 2002, led to reductions in equipment purchases by most network operators. The decline was most accentuated in Western Europe, where mobile operators had large debt burdens and where subscriber growth slowed rapidly. In this market environment, many customers found it necessary to renegotiate existing contracts and postpone planned delivery schedules. At the same time, new orders were sharply reduced. In the second half of 2001, demand deteriorated rapidly in Latin America, but remained strong in China and Eastern Europe. In the United States, a decline in TDMA sales was only partially offset by increased GSM sales. In Japan, the transition to 3G led to a sharp decline in sales of our PDC systems, which was not compensated for by increased sales in 3G as the market conditions continued to evolve.

We maintained our leading market positions in mobile systems during 2001, both for GSM and WCDMA. Ericsson is the principal supplier to those TDMA operators in the Americas who are migrating to GSM/GPRS. In China we won our first large contract for CDMA equipment. In Europe, we were awarded our first contracts for multi-media messaging service (MMS) systems, which allow transmission of high quality graphics, photographs, audio and video. We believe these contracts represent important early milestones in the development of the market for Mobile Internet services.

In Multi-Service Networks, 2001 started with strong orders and sales. As the year progressed, however, a sharp downturn occurred in Latin America, where operators effectively halted their investments in traditional narrowband switching equipment. In the third and fourth quarters, our European customers also reduced capital expenditure significantly.

The global market for handsets also declined, with the number of units sold globally down from approximately 410 million in 2000 to 390 million in 2001. The reduction was mainly attributable to a lower number of new subscribers in Europe. Our sales of handsets during the first nine months of 2001 (prior to the transfer of substantially all our handset business to Sony Ericsson Mobile Communications) decreased by 45 percent due to the overall market decline and some of our products not being competitive at the time.

Business Trends

Our sales increased steadily in the ten-year period through 2000 and, except for 1999, income before taxes also increased year by year over the period. As a result of macroeconomic and industry conditions, in particular within the telecommunications industry, this trend changed dramatically in 2001, with sales decreasing by 15 percent, resulting in a loss before taxes of SEK 30.3 billion. The development of sales, operating income and income before taxes over the five-year period ended December 31, 2001 is illustrated below:

	Year ended December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
			(in SEK billion)		
Net sales	167.7	184.4	215.4	273.6	231.8
Operating income (loss):					
- Systems	N/A(1)	15.3	19.6	32.6	2.9
- Phones(2)	N/A(1)	3.2	0.3	(15.6)	(17.0)
- Other operations and unallocated costs	N/A(1)	0.7	(2.0)	(0.6)	(4.1)
- Capital gains (losses), net	-	-	(0.3)	21.3	5.8
- Restructuring provisions	-	-	-	(8.0)	(15.0)
- One-off pension refund	-	-	-	1.1	-
Total operating income (loss)	18.6	19.2	17.5	30.8	(27.4)
Income (loss) before taxes	17.2	18.2	16.4	28.7	(30.3)

(1) Due to the reorganization of our business segments, operating income data for our current segments is not available for 1997.
(2) Effective October 1, 2001, substantially all our handset operations were transferred to Sony Ericsson Mobile Communications and, as of such date, are accounted for pursuant to the equity method.

In 1999, an increase in operating income in the Systems segment was more than offset by a decrease in operating income in the Phones segment and an operating loss in the Other operations segment. In Phones, the decrease was due to delays in product launches and in Other operations, the decline related to year 2000 conversion charges and charges incurred to terminate a customer contract in Russia.

In 2000, operating income in the Systems segment increased significantly, and sales of shares in Juniper Networks and the divestiture of our Energy business generated capital gains of SEK 21.3 billion. These amounts were, however, to a large extent offset by an operating loss and provisions for restructuring charges in the Phones segment totaling SEK 23.6 billion, primarily caused by product launch delays, less competitive products and delivery problems related to a fire in a supplier's factory. Income before taxes increased as a result of the significant income from the Systems segment and the aforementioned capital gains.

In 2001, the telecommunications industry experienced a significant decline in demand, driven by general economic conditions as well as industry specific circumstances, such as lower growth in Western Europe and the United States. In Western Europe, the growth rate in mobile subscribers decreased, reflecting the already relatively high penetration of mobile handsets, and operators reduced capital expenditure on infrastructure due to their significant debt burdens largely incurred to acquire 3G licenses. In the United States, demand for TDMA equipment decreased as a result of operators' transitioning to GSM. Demand for fixed telecommunications infrastructure also decreased rapidly, in particular in Latin America during the second half of the year. We implemented an Efficiency Program, principally relating to the Systems segment, with targeted cost reductions of SEK 20 billion annually beginning in 2002, for which we established provisions of SEK 11.1 billion. The handset operations were downsized and restructured to minimize risk exposure, and we established and transferred substantially all of our handset business to the Sony Ericsson joint venture. A substantial operating loss was incurred in the Phones segment, due to excess capacity costs, lower than planned volumes sold and lower than anticipated prices in a market characterized by significant excess capacity. In addition to the provisions recorded in 2000, we established provisions of SEK 3.9 billion in connection with the transfer of the business to Sony Ericsson Mobile Communications. In Other operations, our Microelectronics and Cables businesses were adversely impacted by very low demand. Capital gains improved operating income by SEK 5.8 billion.

See "—Major Events and Factors Impacting Our Business—Restructuring Programs and Ongoing Cost Reduction Measures" for further details regarding our cost reduction measures.

Market Outlook

Conditions in the telecommunications equipment market remain difficult, characterized by weak demand for most products. In general, network operators are striving to increase return on capital and cash flow and to pay down debt; as a result, their investments in wireless and wireline network systems continue to decrease. Consequently, we expect 2002 overall to be a year of decreased demand for our products, with sales for mobile systems declining more than 10 percent. With our revised view of the outlook for the market in which we operate, we now expect to make a loss this year, excluding restructuring costs and non-operational items. With ongoing cost cutting, we plan to manage the business to return to profit at some point in 2003.

We expect the reduction in demand in 2002 to be less for wireless systems than for wireline systems. We expect demand for mobile handsets to increase in 2002, although at a modest rate. The trend towards outsourcing of network management and other services makes us believe that demand will increase in this area.

Long-term, we believe there will be significant growth in wireless communications driven by several underlying trends:

- Low mobile penetration in emerging markets. We estimate current global mobile penetration to be approximately 15 percent and less than 10 percent in the Asia Pacific region.

- Low mobile usage compared to wireline. Historically the cost of mobile communications has been higher than wireline communications. We believe competition will continue to reduce the cost for consumers leading to increasing usage.

- Growth in data and new applications enabled by increasing bandwidth, combined with the inherent benefits and utility of mobile communications, will further increase demand.

We estimate, based on available industry sources, that the number of mobile subscribers could double to approximately 1.8 billion by the end of 2007 driven principally by growing demand in the emerging Asia Pacific markets. We also estimate that over the same period there will be a significant growth in minutes per user in the developed North American market. As a result, we also expect mobile network operator revenue growth to continue, although at a somewhat slower compounded annual growth rate from 2001 through 2006 than in the preceding ten year period. We believe that these factors, in addition to the emergence of new mobile technologies enabling additional subscriber services, make the present low levels of mobile operator capital expenditure for network infrastructure unsustainable beyond the short term.

We have an unparalleled installed base of mobile telecommunications systems and we estimate our current market share to be almost twice that of our closest competitor. Therefore, we believe we are well positioned to benefit from the long-term growth in mobile telecommunications.

The statements in this section are forward-looking, and actual results and market developments may differ materially from those described above. See "Forward-looking Statements" and "Risk Factors" herein for a description of factors that may cause these statements not to materialize.

Major Events and Factors Impacting our Business

Restructuring Programs and Ongoing Cost Reduction Measures

We have undertaken a number of restructuring programs during 2000 and 2001 as a result of the difficult market environment and our focus on improving profitability in our Systems and Phones segments. The following tables summarize the effects of these restructuring programs on our reported results, both in terms of the nature of the provision made and which Income Statement line item was affected:

Provisions

	2000	2001			
	Phones	Phones	Systems	Other	Total
			(in SEK billions)		
Inventory	5.0	1.7	0.8	0.1	2.6
Tangible fixed assets	1.5	1.4	0.1	0.0	1.5
Employee redundancy	3.7	0.5	6.6	0.4	7.5
Other	2.5	0.3	3.0	0.0	3.4
Total	12.7	3.9	10.5	0.6	15.0
Cost of sales	(11.4)	3.5	4.7	0.2	8.3
Research and development and other technical expenses	(0.7)	0.1	3.3	0.2	3.5
Selling expenses	(0.4)	0.1	1.3	0.1	1.5
Administrative expenses	(0.2)	0.1	1.2	0.1	1.4
Other operating revenue	-	0.2	-	-	0.2
	(12.7)	3.9	10.5	0.6	15.0

2000 Restructuring in Phones

In an effort to restore profitability in our Phones segment, we began to implement a restructuring program in July 2000, which we refer to as the "Back-to-Profit" program. The primary aim of the program was to concentrate our product portfolio on those products which we believed had the greatest market opportunities. We also contracted to outsource the development and manufacturing, according to our specifications, of entry-level mobile handsets, and we streamlined manufacturing by transferring high-volume production to low-cost manufacturing units. In addition, we focused our research and development expenditures on advanced mobile systems, specifically in support of GPRS and 3G products.

The Back-to-Profit program resulted in a reduction of headcount by 11,000, of which 1,300 took place in 2000 and the remainder in 2001. Of this reduction, 2,000 employees were transferred to Flextronics under an outsourcing arrangement and the remainder of employees were made redundant.

2001 Restructuring Plans

Phones

In 2001, we extended the Back-to-Profit program in our Phones segment and recorded an additional provision of SEK 3.9 billion in preparation for the transfer of substantially all of our mobile handset business to Sony Ericsson Mobile Communications.

This provision related to additional downsizing, with the reduction of 4,000 employees and inventory and equipment write-offs. Overall headcount was reduced through the Back-to-Profit program from approximately 18,000 in September 2000 to approximately 6,400 in September 2001. As of October 1, substantially all of the Phones operations, including approximately 3,000 employees, were transferred to Sony Ericsson Mobile Communications. The downsized operations reduced our operating loss, and our 50 percent share of the joint venture's losses for the fourth quarter was SEK -0.7 billion, compared to the much larger losses incurred before the Back-to-Profit program. Some operations relating to mobile platforms, Bluetooth and manufacturing in China were retained.

Systems, Other operations and unallocated costs

In the second quarter of 2001, we launched the "Efficiency Program" in order to mitigate the adverse effects of sharply declining orders. The Efficiency Program included initiatives to streamline sales and administrative operations, reduce our employee headcount by 11,000, centralize control over internal information technology functions, and consolidate our research and development facilities. We established provisions of SEK 11.1 billion in 2001 in relation to the Efficiency Program.

As of December 31, 2001, the Efficiency Program had resulted in 10,600 employee reductions and the engagement of 8,000 fewer external consultants and temporary workers.

The Efficiency Program was implemented substantially according to plan during 2001, and based on estimated cost reductions, we believe that the measures adopted will result in annual cost savings of approximately SEK 20 billion. During the quarter ended March 31, 2002, our cost savings from the Efficiency Program were SEK 4.6 billion in the aggregate.

The statements in this section, in particular in relation to the cost savings we expect to generate from our programs and other measures, are forward-looking statements and actual results may differ materially from those described above. See "Forward-looking Statements" and "Item 3D: Risk Factors—Risks Associated with our Business¾Failure to successfully implement our cost reduction measures may adversely affect our financial results" herein for a description of factors that may cause these statements not to materialize.

Sony Ericsson Mobile Communications

Effective October 1, 2001, we formed Sony Ericsson Mobile Communications AB as a 50/50 joint venture with Sony Corporation. Ericsson and Sony each contributed SEK 2.8 billion in cash to the capital of the joint venture. Pursuant to two Master Purchase Agreements, one relating to the transfer of the Ericsson handset business and one relating to the transfer of the Sony handset business, and related agreements, both partners sold substantially all of their respective handset businesses to the joint venture. We retained ownership of our intellectual property rights for mobile phone platform technology, which is licensed to the joint venture and other handset manufacturers.

Effective October 1, 2001, our 50 percent share of income before taxes in Sony Ericsson Mobile Communications is included in "Earnings from Joint Ventures and Associated Companies". Our share of the joint venture's taxes is included in "Taxes". The retained activities, including technology licensing and phone manufacturing in China, are reported as part of "Other operations".

Acquisitions and Divestitures

In addition to the establishment of the Sony Ericsson joint venture, a number of acquisitions and divestitures have affected our results of operations and financial position over the last three years. The following table highlights the most significant of these transactions:

Acquisitions	**Acquisition Value (in SEK billions)**
Businesses acquired	
2000 Microwave Power Devices Inc. (USA)	0.9
1999 Torrent Network Technologies Inc. (USA)	3.7
1999 TouchWave Inc. (USA)	0.5

Divestitures		**Capital Gain**	**Cash Receipt**
		(in SEK billions)	
Businesses divested			
2001	Enterprise Distribution	0.0	3.4
2000	Energy Systems	4.5	5.9
Shares divested			
2001	Shares in Juniper Networks	5.5	5.5
2000	Shares in Juniper Networks	15.4	15.4
Real estate divested			
2001	Italy, Sweden and United Kingdom	1.3	4.7
2000	Sweden	1.5	5.2

In connection with our restructuring plans, we have identified additional non-core assets which we may divest. We have no current plans for material acquisitions.

Research and Development

In order to maintain our competitiveness through the development of innovative products and technologies, we have made substantial research and development expenditures in each of the last three years. Total spending on research and development was SEK 33.1 billion in 1999, SEK 41.9 billion in 2000 and SEK 46.6 billion in 2001. As a percentage of net sales, research and development expenditures were 15.4 percent in 1999, 15.3 percent in 2000 and 20.1 percent in 2001.

While we have reduced research and development expenditure as a percentage of net sales in connection with our restructuring programs, in 2001 we increased our research and development expenditure in areas core to our future business, in particular in 3G and GPRS mobile technologies. We expect this trend to continue in the near-term, and do not expect that we will reduce our research and development expenditures relating to core products. There will, however, be a significant reduction in overall research and development expenditure as a result of cost reductions affecting non-core areas and the consolidation of multiple research and development facilities.

Foreign Exchange Rates

Our business and results of operations are affected by fluctuations in exchange rates, particularly between the Swedish krona, our reporting currency, and other currencies such as the Euro, the U.S. dollar, the Japanese yen and the UK pound sterling. Foreign currency denominated assets and liabilities, together with firm and probable purchase and sales commitments, give rise to foreign exchange exposure. We account for most of our revenues in foreign currencies and a significant percentage of our expenses in Swedish kronor. As a result, in general, appreciation of the Swedish krona relative to another currency has an adverse effect on our net sales and operating profit, while the depreciation of the Swedish krona has a positive effect.

Average appreciation (depreciation) per year of the Swedish krona against our major foreign trade currencies:

Currency	1999	2000	2001
Euro..	1.4%	4.1%	(9.5%)
U.S. Dollar	(4.0%)	(10.9%)	(12.6%)
U.K. Pound Sterling.................................	(1.5%)	(3.7%)	(7.2%)
Japanese Yen	(19.7%)	(16.6%)	0%

In addition to the impact of exchange rate fluctuations on our operating results discussed above, Ericsson’s balance sheet is also affected by the translation into Swedish kronor for financial reporting purposes of the net assets of our foreign subsidiaries that are denominated in currencies other than Swedish kronor.

We hedge some foreign exchange exposures in accordance with a policy established by the board of directors. For a discussion of foreign exchange exposures and instruments we use in connection with our hedging activities, see “Item 11: Quantitative and Qualitative Disclosures About Market Risk.”

Principal Differences Between Swedish GAAP and U.S. GAAP

Our consolidated financial statements are prepared in accordance with Swedish GAAP. Our net loss in 2001 under Swedish GAAP was SEK 21.3 billion, compared to net income of SEK 21.0 billion in 2000 and SEK 12.1 billion in 1999. Under U.S. GAAP, we would have reported a net loss of SEK 24.4 billion in 2001 after the cumulative effect of an accounting change, compared to net income of SEK 23.4 billion in 2000 and SEK 15.2 billion in 1999.

The principal differences between Swedish GAAP and U.S. GAAP that affect our net income (loss), as well as our stockholders’ equity, relate to the treatment of pension costs, software development costs, restructuring costs, hedge accounting, marketable securities and deferred taxes.

See Note 24 to the consolidated financial statements for a description of the principal differences between Swedish GAAP and U.S. GAAP. See Accounting Principles Note P and Note 24 for a description of the anticipated impact on the consolidated financial statements of the adoption of recently issued accounting standards under Swedish GAAP and U.S. GAAP, respectively.

Results of Operations

Our Segments

For the three year period ended December 31, 2001, we reported orders, net sales and operating income according to our primary areas of business: Systems, Phones and Other operations. As a result of the establishment of the Sony Ericsson joint venture, beginning in 2002 we no longer report orders and net sales for the Phones segment as the results are accounted for according to the equity method. Within the Systems segment, orders booked and net sales for Mobile Systems and Multi-Service Networks are reported separately, although there is a high degree of integration for research and development, customer service and sales organization, implementation and support services.

The following table sets forth net sales for each of our business segments for the periods indicated:

	Year ended December 31,		
	1999	2000	2001
		(in SEK billions)	
Systems	148.8	194.7	187.8
of which Mobile Systems	115.0	158.1	154.3
of which Multi-Service Networks	33.8	36.6	33.4
Phones[1]	46.4	56.3	23.6
Other operations	35.8	35.9	30.8
Less: inter-segment sales	(15.6)	(13.4)	(10.3)
Total	215.4	273.6	231.8

(1) Effective October 1, 2001, substantially all our handset operations were transferred to Sony Ericsson Mobile Communications and, as of such date, are accounted for pursuant to the equity method. The handset operations retained are now included in Other operations.

The following table sets forth adjusted operating income/(loss) for each of our business segments for the periods indicated:[1]

	Year ended December 31,		
	1999	2000	2001
		(in SEK billions)	
Systems	19.6	32.6	2.9
Phones	0.3	(15.6)	(17.0)
Other operations	0.3	1.2	(2.3)
Unallocated	(2.4)	(1.8)	(1.7)
Total	17.8	16.4	(18.2)

(1) Operating income/(loss) adjusted to exclude the effects of certain gains and losses which affect comparability of periods: in 1999, excluding capital losses of SEK 0.3 billion; in 2000, excluding net capital gains of SEK 21.3 billion, a pension refund benefit of SEK 1.1 billion, and restructuring charges of SEK 8 billion; in 2001, excluding net capital gains of SEK 5.8 billion and restructuring provisions of SEK 15 billion.

The following table sets forth the geographical distribution of our net sales by destination for the periods indicated and the change in net sales from the prior period:

	Year ended December 31,				
	1999	2000	(%)[1]	2001	(%)[1]
Market Areas			(in SEK billion, or %)		
Europe, Middle East & Africa	115.1	137.9	20%	107.0	(22%)
Asia Pacific	44.9	56.3	25%	59.0	5%
Latin America	30.3	44.1	46%	34.5	(22%)
North America	25.2	35.2	40%	31.4	(11%)
Total	215.4	273.6	27%	231.8	(15%)

(1) Indicates percentage change from year ended December 31, 1999 to 2000, December 2000 to 2001.

In 2001, all geographic markets areas were affected by the deconsolidation of handset sales in the fourth quarter. Excluding Phones segment sales transferred to the Sony Ericsson joint venture for the full year, the reduction in sales for 2001 was five percent compared to 2000.

During 2001, we recorded SEK 107.0 billion of net sales, or 46 percent of total, from Europe, Middle East and Africa, our largest geographic market area, a decrease of 22 percent from SEK 137.9 billion in 2000. The decrease is primarily in our Systems segment as a result of lower capital expenditure by operators in this region due to slowing growth of network traffic and credit market constraints. Our second largest geographic market area is Asia Pacific, with net sales of SEK 59.0 billion, or 25 percent of total, during 2001. Net sales to Asia Pacific increased by 5 percent from SEK 56.3 billion in 2000 to SEK 59.0 billion in 2001. Despite the general economic downturn, net sales in Asia Pacific remained strong principally due to aggressive network build-out in China. Net sales to Latin America decreased by 22 percent from SEK 44.1 billion in 2000 to SEK 34.5 billion in 2001. This decrease was due to poor financial conditions in Latin America, which has restricted the ability of operators in the region to fund capital expenditure. Net sales to North America decreased by 11 percent from SEK 35.2 billion in 2000 to SEK 31.4 billion in 2001. This decrease in North America can be attributed to declining TDMA volumes, as operators are at the beginning stages of a transition from TDMA to GSM technology.

Years ended December 31, 2000 and 2001

Net Sales

Consolidated. Consolidated net sales decreased by SEK 41.7 billion, or 15 percent, to SEK 231.8 billion in 2001 from SEK 273.6 billion in 2000. The greatest contributors to this decrease were lower sales volumes in all segments, the fact that the Phones segment only had nine months of net sales activity before substantially all of the handset operations, significantly downsized through restructuring activities, were transferred to Sony Ericsson Mobile Communications on October 1, 2001, and price reductions due to competitive pressures.

Systems. Net sales decreased by 4 percent to SEK 187.8 billion in 2001 from SEK 194.7 billion in 2000. Strong sales early in 2001 were attributable to orders booked at the end of 2000, but 2001 order bookings were adversely affected by significant capital expenditure reductions by operators, primarily in Western Europe and Latin America. Sales in Mobile Systems in 2001 decreased by 2 percent compared to 2000, principally attributable to significant declines in Western Europe and Latin America, which were only partially offset by increased sales in Asia Pacific and Eastern Europe. Sales in Multi-Service Networks decreased by 9 percent compared to 2000, primarily due to lower levels of capital expenditures by operators in Western Europe and Latin America. While we generated good order growth for our ENGINE migratory solution, with over 70 contracts signed since 1999, this was not sufficient to offset the broader downward trend for traditional circuit switching equipment.

Phones. Net sales decreased by 58 percent to SEK 23.6 billion in 2001 from SEK 56.3 billion in 2000. Part of this decrease reflects the fact that the Phones segment only had nine months of net sales activity before substantially all of the handset operations, significantly downsized through restructuring activities, were transferred to Sony Ericsson Mobile Communications on October 1, 2001. Net sales for the first nine months of 2001 decreased 45 percent to SEK 23.6 billion in 2001 from SEK 42.5 billion for the first nine months of 2000. This decrease was the result of a severe decline in sales volume of handsets, as well as price reductions on uncompetitive products.

Other Operations. Net sales decreased 14 percent to SEK 30.8 billion in 2001 from SEK 35.9 billion in 2000. The decrease is primarily attributable to lower net sales for our Microelectronics and Cable businesses, partially offset by the remaining handset manufacturing operations in China, which were transferred into Other Operations upon the formation of Sony Ericsson Mobile Communications.

Cost of Sales

Cost of sales decreased by 4 percent to SEK 173.9 billion in 2001 compared with SEK 180.4 billion in 2000. This decrease was due primarily to lower overall sales volumes. Gross margin decreased from 34.1 percent in 2000 to 25.0 percent in 2001 across all segments. This decrease can be primarily attributed to fixed costs in manufacturing and implementation which could not be reduced in response to lower sales quickly enough to avoid excess capacity. In our Systems segment, products with somewhat lower margins comprised a larger proportion of our net sales during the current period. Inventory write-downs and high warranty costs due to product quality problems in the Phones segment at the beginning of 2001 further contributed to the decline in gross margin. Provisions relating to our Efficiency Program and "Back-to-Profit" programs of SEK 8.3 billion were recorded to cost of sales in 2001. In 2000, we recorded provisions of SEK 7.5 billion in our Phones segment to cost of sales relating to our "Back-to-Profit" program and the outsourcing of the manufacturing of phones to Flextronics, in addition to other restructuring costs taken as incurred of SEK 3.9 billion.

Key Operating Expenses

Research and Development and Other Technical Expenses. Research and development and other technical expenses increased by SEK 4.7 billion, or 11 percent, to SEK 46.6 billion in 2001 compared with SEK 41.9 billion in 2000. This increase was primarily due to provisions of SEK 3.5 million recorded in connection with our

Efficiency Program, as well as investments in the 3G wireless systems, IP-solutions and Mobile Internet applications. As a percentage of net sales, research and development expenses increased from 15.3 percent in 2000 to 20.1 percent in 2001.

Selling and Administrative Expenses. Selling expenses decreased by SEK 2.8 billion, or 8 percent, to SEK 32.4 billion in 2001 compared with SEK 35.2 billion in 2000. The decrease was primarily in the Phones segment, which had lower selling expenses for the first nine months of 2001 as compared to 2000 and no selling expense during the fourth quarter after substantially all of our handset business was transferred to Sony Ericsson Mobile Communications. This decrease was partially offset by provisions of SEK 1.5 billion taken in connection with the Efficiency Program during 2001. Administrative expenses increased by SEK 0.7 billion, or 5 percent, to SEK 14.0 billion in 2001 compared with SEK 13.3 billion in 2000. The increase can be primarily attributed to the recognition of a SEK 1.4 billion charge during 2001 to establish a provision in connection with our Efficiency Program. Administrative expenses decreased in our Phones segment in 2001 as compared to 2000, and increased to a lesser degree in our Systems segment over the same period. As a percentage of net sales, selling expenses and administrative expenses increased from 12.9 percent and 4.9 percent, in 2000, to 14.0 percent and 6.0 percent, respectively, in 2001.

Other Items

Other Operating Revenues. Other operating revenues decreased by SEK 19.6 billion to SEK 8.4 billion in 2001 compared with SEK 28.0 billion in 2000. This decrease was mainly due to capital gains, which were SEK 25.2 billion in 2000 and SEK 6.0 billion in 2001. The capital gains in 2000 related principally to the divestiture of shares of Juniper Networks, our Energy business and real estate, and in 2001, were mainly attributable to the divestiture of our remaining shares of Juniper Networks.

Share in Earnings of Joint Ventures and Associated Companies. Share in earnings of joint ventures and associated companies decreased by SEK 0.8 billion to a loss in the amount of SEK 0.7 billion in 2001 compared with earnings of SEK 0.1 billion in 2000. From October 2001, substantially all of the handset operations, dramatically downsized through restructuring activities, were transferred to Sony Ericsson Mobile Communications. Net sales in the fourth quarter were lower than expected due to a much lower market demand and pricing pressure, and the joint venture incurred a loss of which our share was SEK 0.7 billion.

Operating Income/Loss

Operating income decreased by SEK 58.2 billion, from SEK 30.8 billion in 2000 to an operating loss of SEK 27.4 billion in 2001. This decrease was driven by lower net sales, lower gross margins in both our Systems and Phones segments and charges in connection with additional provisions of SEK 15.0 billion for the restructuring and efficiency programs. In addition, capital gains in 2001 were significantly less than those recognized in 2000 in relation to the divestiture of shares of Juniper Networks.

Our operating margin decreased from 11.3 percent in 2000 to negative 11.8 percent in 2001.

Financial Income and Expenses

Financial income increased by SEK 1.1 billion, or 30 percent, to SEK 4.8 billion in 2001 compared with SEK 3.7 billion in 2000. The increase was primarily related to increases in our cash position attributable primarily to decreases in net working capital and higher cash flows from financing. Financial expenses also increased by SEK 1.7 billion, or 35 percent, to SEK 6.6 billion in 2001 compared with SEK 4.9 billion in 2000, reflecting incremental interest expense relating to bonds of SEK 28.2 billion issued during 2001 to refinance short-term borrowings and extend the debt maturity profile.

Minority Interest

Minority interest before taxes was SEK -1.2 billion, compared to SEK 0.9 billion in 2000.

Income Taxes

Income taxes decreased by SEK 16.7 billion, to a net income tax benefit of SEK 9.0 billion in 2001 compared with an income tax expense of SEK 7.7 billion in 2000. Our effective tax rate was 30 percent, consistent with historical effective tax rates, in contrast to 2000, when our effective rate was 27 percent as a result of non-taxable capital gains.

As of December 31, 2001, we had aggregate net tax loss carry-forwards of SEK 27.6 billion, primarily in Sweden, SEK 26.0 billion of which will not expire until 2007 or later.

Net Income/Loss

As a result principally of the above factors, net income decreased by SEK 42.3 billion, from SEK 21.0 billion in 2000 to a net loss of SEK 21.3 billion in 2001. Foreign currency exchange rate changes had an overall impact of SEK 1.3 billion both years on the net profit/loss. Diluted earnings per share were SEK -2.69 in 2001 as compared to SEK 2.65 in 2000.

Years ended December 31, 1999 and 2000

Net Sales

Net sales increased SEK 58.2 billion, or 27 percent, to SEK 273.6 billion in 2000 from SEK 215.4 billion in 1999. The increase was primarily due to increased volumes, partly as a result of the introduction of new handset products in our Phones business. The net sales increase in the Systems segment was attributable to strong demand for 2G infrastructure and our ENGINE solution for migrating fixed line networks to multiservice capabilities. In the Phones segment, the increase in net sales primarily reflected a 38 percent increase in handsets shipped. Notwithstanding this increase, our net sales in Phones were adversely affected by delivery problems caused by a fire in the factory of a key supplier, leading to delays and reductions in sales and lower prices. Increases in net sales slowed during the fourth quarter, particularly in Western Europe, North America and Japan. In the European market, which was already approaching saturation, operators started to reduce subsidies on mobile phones, further reducing the growth of new subscribers and slowing down replacement purchases.

For a breakdown of our net sales and other financial data per business segment and other data by geographic region, see the information under the heading “Additional Financial Segmental Information”.

Cost of Sales

Cost of sales increased by SEK 54.5 billion, or 43 percent, to SEK 180.4 billion in 2000 compared with SEK 125.9 billion in 1999. This increase was due primarily to higher overall sales volumes. The gross margin decreased from 41.6 percent in 1999 to 34.1 percent in 2000. This decrease was as a result of large inventory write-offs in the handset business and the build-up of production capacity for 3G systems as a consequence of increased 3G contract awards. During 2000, we recognized restructuring charges of SEK 4.7 billion to cost of sales on an ongoing basis. At the end of 2000, we established restructuring provisions of SEK 7.5 billion to cost of sales in relation to the “Back-to-Profit” program and the outsourcing of the manufacturing of handsets to Flextronics.

Key Operating Expenses

Research and Development and Other Technical Expenses. Research and development and other technical expenses increased by SEK 8.8 billion, or 27 percent, to SEK 41.9 billion in 2000 compared with SEK 33.1 billion in 1999. The increase was principally attributable to investments made in 3G wireless systems. As a percentage of net sales, research and development and other technical expenses decreased marginally, from 15.4 percent in 1999 to 15.3 percent in 2000.

Selling and Administrative Expenses. Selling expenses increased by SEK 3.7 billion, or 12 percent, to SEK 35.2 billion in 2000 compared with SEK 31.5 billion in 1999. As a percentage of net sales, selling expenses decreased marginally from 14.6 percent in 1999 to 12.9 percent in 2000. The increase in selling expenses was primarily due to higher overall sales volumes, although selling expense decreased relative to net sales due to benefits of scale. Administrative expenses increased by SEK 3.2 billion, or 32 percent, to SEK 13.3 billion in 2000 compared with SEK 10.1 billion in 1999. As a percentage of net sales, administration expenses increased marginally from 4.7 percent in 1999 to 4.9 percent in 2000. The increase in administrative expenses can be attributed to preparation for anticipated business growth.

Other Items

Other Operating Revenues. Other operating revenues increased by SEK 25.5 billion to SEK 28.0 billion in 2000 compared with SEK 2.5 billion in 1999. The increase was primarily attributed to capital gains realized in connection with sales of shares in Juniper Networks. Additional non-operational capital gains resulted from the divestment of Ericsson Energy Systems AB and real estate properties.

Share in Earnings of Joint Ventures and Associated Companies. Share in earnings of joint ventures and associated companies increased marginally to SEK 97 million in 2000 from SEK 90 million in 1999.

Operating Income

Operating income increased by SEK 13.3 billion, to SEK 30.8 billion in 2000 compared with SEK 17.5 billion in 1999. The increase can be primarily attributed to capital gains realized in connection with the sale of shares in Juniper Networks and higher operating margins in the Systems segment. These increases were offset slightly by a negative operating margin in the Phones segment, as a result of delayed product introductions and the effects on deliveries caused by a fire in a supplier's factory and restructuring charges in connection with the Back-to-Profit program and the outsourcing of manufacturing of handsets to Flextronics.

Our operating margin increased from 8.1 percent in 1999 to 11.3 percent in 2000.

Financial Income and Expenses

Financial income increased by SEK 1.1 billion, or 42 percent, to SEK 3.7 billion in 2000 compared with SEK 2.6 billion in 1999. The increase was due to increased cash on hand and positive currency exchange effects from investments denominated in U.S. dollars. Financial expenses increased by SEK 1.7 billion, or 55 percent, to SEK 4.9 billion in 2000 compared with SEK 3.2 billion in 1999. The increase was a result of negative currency exchange effects from borrowings denominated in foreign currencies, in particular U.S. dollars.

Minority Interest

Minority interest before taxes was SEK -0.9 billion in 2000 compared to SEK -0.5 billion in 1999.

Income Taxes

Income taxes increased to SEK 7.7 billion in 2000 compared with SEK 4.3 billion in 1999. The increase can be primarily attributed to the increase in income before taxes, which was partially offset by a lower effective tax rate of 27 percent as a result of non-taxable capital gains.

Net Income

As a result of the above factors, net income increased by SEK 8.9 billion, to SEK 21.0 billion in 2000 compared with SEK 12.1 billion in 1999. Foreign currency exchange rate changes had an overall favorable effect of SEK 1.3 billion on income. Diluted earnings per share were SEK 2.65 in 2000 as compared to SEK 1.54 in 1999.

Liquidity and Capital Resources

We define liquidity as cash and short-term investments up to 12 months. Under U.S. GAAP, liquidity is defined as cash and short-term investments up to three months. Our primary sources of liquidity are cash from operations, committed and uncommitted credit lines, a European Medium Term Note program, commercial paper programs and securitization programs.

Our liquidity position increased by SEK 33.2 billion during 2001 to SEK 68.9 billion as of December 31, 2001. Our net liquidity position, after deducting short-term interest bearing liabilities, increased by SEK 29.2 billion during 2001 to SEK 43.2 billion.

We conduct business in over 140 countries. Tax, currency and other legal and economic restrictions in certain countries can affect our ability to transfer funds within the group and to provide funding to certain subsidiaries. However, the impact of such restrictions is currently very limited.

Cash flow

The table below summarizes our cash flow for the years ended December 31, 1999, 2000 and 2001:

	Year ended December 31,		
	1999	2000	2001
		(in SEK billions)	
Cash flow from operations..................	10.1	(14.1)	1.4
Cash flow from investing activities.......	(15.5)	14.5	5.3
Cash flow before financing activities..	**(5.4)**	**0.4**	**6.7**
Cash flow from financing activities.......	17.3	5.0	25.7
Effects of exchange rates on cash	(0.3)	0.4	0.7
Net change in cash	11.6	5.8	33.2

Cash flow before financing activities was positive in each of the last two years, largely due to effects of sales of shares and divestment of operations offsetting unfavorable cash flow from operations. During 2001, we arranged additional borrowing commitments to improve payment readiness after unfavorable first quarter cash flow and used our Euro Medium Term Note program to reduce reliance on commercial paper and to extend the maturity profile of long-term borrowings. The cash flow in 1999 was unfavorable due to business growth and increased working capital.

Net cash generated in operating activities for the year ended December 31, 2001 was SEK 1.4 billion, as the negative impact of a SEK 34.8 billion income effect reconciled to cash was more than offset by significant working capital reductions, principally the unwinding of large inventory balances and the collection of outstanding receivables.

Net cash from investing activities for the year ended December 31, 2001 was SEK 5.3 billion as a result of sales of real estate and other non-core assets, including the remainder of our equity interest in Juniper Networks.

Net cash from financing activities for the year ended December 31, 2001 was SEK 25.7 billion. The increase for the full year 2001 can be attributed to proceeds from issuance of long-term debt, which was partially offset by repayment of our long-term debt by SEK 8.5 billion and dividend payments of SEK 4.3 billion.

Capital Expenditure

	Capital expenditure Year ended December 31,		
	1999	2000	2001
Location		(in SEK billions)	
Sweden..........................	4.1	5.1	3.4
Outside Sweden.............	5.0	7.2	4.9
Total	9.1	12.3	8.3

The capital expenditure relates primarily to ordinary investments in machinery for manufacturing and research and development and office equipment. As a result of outsourcing and the establishment of the Sony Ericsson joint venture, capital expenditures are expected to decrease compared to historical levels.

Funding Sources

We externally finance our operations principally by borrowing directly in the Swedish and international bank and capital markets.

Our aggregate outstanding interest bearing liabilities was SEK 89.9 billion as of December 31, 2001. Long-term interest bearing debt was SEK 67.8 billion comprising long-term debt of SEK 57.7 billion (including current maturities of long-term debt of SEK 3.6 billion), with an average maturity of 4 years and provisions for pensions and similar commitments of SEK 10.1 billion. Long-term debt consisted mainly of borrowings under our Euro Medium Term Note program. Short-term interest bearing liabilities was SEK 22.1 billion comprising short-term borrowing of SEK 14.2 billion and liabilities related to a financial lease of SEK 7.9 billion, with average maturities of 3 months and 12-months, respectively. Short-term borrowing consisted primarily of bank overdrafts, bank loans and other short-term financial loans. As of March 31, 2002 the aggregated outstanding interest bearing liabilities was SEK 81.0 billion. Long-term interest bearing debt was SEK 63.0 billion comprising of long-term debt of SEK 52.4 billion (including current maturities of long-term debt of SEK 1.2 billion) with an average maturity of 4 years, and provisions for pensions and similar commitments of SEK 10.6 billion. Short-term interest bearing liabilities was SEK 18.0 billion comprising short-term borrowing of SEK 10.5 billion and liabilities related to a financial lease of SEK 7.5 billion, with an average maturity of 5 months and 9 months, respectively. The nature of the interest bearing liabilities has not changed since December 31, 2001. The interest rate structure of our interest-bearing financial liabilities is approximately 96 percent floating rate. We hedge interest rate risks by using derivative instruments, such as forward rate agreements, interest rate swaps and futures. Our hedging arrangements are described in detail under “Item 11: Quantitative and Qualitative Disclosure about Market Risk”.

We have a USD 5.0 billion Euro Medium Term Note program of which USD 4.3 billion was utilized at December 31, 2001. The nominal amount was increased by USD 2.5 billion to USD 5.0 billion during 2001. Issuances under this program are denominated in EUR, USD, SEK and GBP and have an average maturity of 4 years. During 2001, we borrowed SEK 28.6 billion under this program to refinance short-term borrowings and extend the maturity of our outstanding debt obligations. The interest rate on two issuances in an aggregate amount of SEK 21.7 billion (comprising EUR 2.0 billion and GBP 226 million of our medium-term notes) is linked to our credit rating. Interest rates on this debt increase/decrease 0.25 percent per annum for each rating notch per rating agency (Standard & Poor’s or Moody’s) by which either or both have publicly announced a ratings decrease/increase in our credit rating below BBB+ or Baa1. The three most recent downgrades have caused an estimated increase in funding costs of approximately SEK 165 million per annum relating to our Euro Medium Term Note program. No new long-term debt was issued under the program during the period ended March 31, 2002.

As of December 31, 2001 and March 31, 2002, we had unused long-term committed credit facilities of USD 1.6 billion. During 2001, long-term committed credit facilities were increased by USD 600 million. We entered into a EUR 400 million credit facility (approximately SEK 3.7 billion) in October 2001, but this facility became unavailable to us in February 2002 after Moody’s lowered our credit rating from Baa1 to Baa2 and is not included in our total long-term committed facilities. Of the available long-term committed credit facilities, our USD 600 million facility has interest rates linked to our credit rating as well as to certain financial covenants, which we need to satisfy or maintain in order to draw down funds under the facility.

We entered into a credit portfolio arrangement in December 2001 with a syndicate of banks comprised of two facilities under which SEK 7.9 billion was outstanding as of March 31, 2002. One facility provides for credits of up to SEK 12.3 billion on a limited recourse basis. As a result of the most recent downgrade from Baa2 to Baa3 (Moody’s), the syndicate banks have recourse against us for 30 percent of the total commitment and may, upon a simple majority vote of the member banks, demand that we maintain this amount in the form of cash collateral. The other facility, for SEK 3.8 billion, is fully guaranteed by us. The bank syndicate, at its discretion, has the right to put this guaranteed facility to us, should the rating fall to Baa3 (Moody’s) or BBB- (Standard & Poor’s). The three most recent downgrades have caused an increase in funding costs relating to these two facilities. While we have initiated discussions with the relevant bank syndicates for these arrangements, we are unaware of any intention on their part to require additional cash collateral or exercise the put option.

If our credit rating were to deteriorate further, we would incur additional interest expense. We remain on Moody’s watchlist, indicating the possibility of further downgrades. See “Risk Factors—Risks Associated with our Business—Our financial instruments contain ratings triggers, financial ratios and other covenants that may affect our access to and cost of funds”.

Historically, we have relied on our commercial paper programs in the Swedish, European, and U.S. markets to satisfy short-term liquidity needs. During 2001, the nominal amount of our U.S. commercial paper program was increased by USD 500 million to USD 1.0 billion and the Euro commercial paper program was increased by USD 800 million to USD 1.5 billion. As of December 31, 2001, SEK 31.6 billion was available to us under our commercial paper programs. However, our access to liquidity under the programs is now limited. See “Item 3D: Risk Factors—Risks Associated with our Business—Our financial instruments contain ratings triggers, financial ratios and other covenants that may affect our access to and cost of funds” and “—Our access to funding has decreased and may continue to decrease or become more expensive as a result of our operational and financial condition and market conditions”.

We have a securitization program with Eureka Securitization plc. As a part of the program we sell trade receivables in the U.S., U.K., Dutch and German markets to Eureka Securitization plc at an effective cost of 1 month LIBOR + 30bp. The program is settled on a monthly basis with new receivables sold to replace those collected during the month. Eureka Securitization plc is externally managed and funded in the commercial paper market. As of December 31, 2001 and March 31, 2002, we sold receivables amounted to SEK 0.5 billion and SEK 1.8 billion respectively. The total available amount under the program is USD 375 million.

Our short-term borrowing requirements typically peak in the middle of each quarter. Historically, we have satisfied variations in borrowing requirements through our commercial paper programs. However, currently and in the near term we anticipate using our cash position to satisfy short-term liquidity requirements. We invest our liquid funds primarily in government securities, 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. In order to limit currency exposures, cash and cash equivalents are primarily held in Swedish kronor and invested at floating interest rates.

Research and Development

For a description of our research and development policies, see "Item 4: Information on the Company."

Risk Management and Off-balance Sheet Arrangements

Customer Financing

In common with industry practice, some of our customers request that we arrange or provide financing for them as a condition of obtaining or bidding on infrastructure projects. Customer financing arrangements may include financing provided in connection with the sale of our systems and services, funding for other costs incurred by our customers that are associated with network installation and integration of our products or, on an exceptional basis, financing for working capital purposes. Our customer financing arrangements are comprised of direct lending by us to our customers or financial guarantees issued by us in respect of lending to our customers by third party sources. We seek to limit our customer financings, both in amount and duration of the credits extended. To achieve this, our strategy is to engage banks and other financial institutions as early as possible in our customer financing discussions. Initially, we may have to guarantee such arrangements but our aim is to subsequently transfer any risk to the financial markets.

Our customers generally request that we commit to customer financing early in the process of negotiating a sale. We will consider customer financing as an alternative to be offered selectively to our customers in the event that third party funding sources are unavailable. The terms of our commitments vary. In some cases, incremental commitments become available to the customer as they sign additional contracts with us. In other cases, the availability of commitments is conditioned upon the customer meeting certain future operational or financial tests.

At December 31, 2001, the value of our outstanding customer financing credits was SEK 26.8 billion, of which SEK 18.7 billion was in respect of loans, SEK 4.7 billion of which was guaranteed by third parties, and SEK 12.8 billion was in the form of financial guarantees extended by us.

Outstanding Customer Financing

The table below summarizes our outstanding customer financing credits as of December 31, 1999, 2000 and 2001.

	Outstanding customer financing credits As of December 31,		
	1999	**2000**	**2001**
		(in SEK billions)	
On balance sheet credits[1]	19.7	21.6	18.7
Off balance sheet credits	6.0	5.1	12.8
Total credits	25.7	26.7	31.5
Less third party risk coverage[2]	(4.0)	(6.6)	(4.7)
Ericsson risk exposure	21.7	20.1	26.8
On balance sheet credits, net book value[3]	15.2	18.1	14.8

1 These amounts reflect the retroactive consolidation of associated finance companies as required by Swedish GAAP as of January 1, 2002. See "—Accounting for Customer Financing".

2 Third party risk coverage represents credit risk borne by third party financial institutions through the issuance of financial guarantees.

3 On balance sheet credits, net book value are adjusted by a provision for uncollectible amounts. These amounts are reflected in our consolidated balance sheets as of the dates indicated.

On balance sheet credits are receivables due directly to us from customers, which are recorded at their net book value, offset by risk provisions for potentially uncollectible amounts, as an asset in our balance sheet. Off-balance sheet credits represent third-party financing, to the extent that we carry the credit risk.

The increase in outstanding customer credits during 2001 of SEK 4.8 billion to SEK 31.5 billion is a result of medium and long-term customer financing that we have offered in response to the competitive environment in which we operate. The increase is partly related to financing of 3G contracts but also to deliveries of 2G equipment. During 2001, off balance sheet financing increased by SEK 7.7 billion to SEK 12.8 billion, or to 41 percent of the total risk exposure as compared to 19 percent in 2000. On balance sheet credits decreased by SEK 2.9 billion to SEK 18.7 billion over the same period. We also have third party risk coverage on some of our on balance sheet credits, where financial institutions or the Swedish Export Credits Guarantee Board (EKN) cover some risk by issuing financial guarantees.

Net book value of our on balance sheet credits declined during 2001 from SEK 18.1 billion to SEK 14.8 billion due to the overall reduction and due to increased provisions for certain credits in Latin America in particular.

Emerging Markets

Of our total outstanding credit exposure as of March 31, 2002, excluding trade accounts receivable, 57 percent related to North and South America; 36 percent related to Europe, the Middle East and Africa; and the remaining 7 percent related to Asia Pacific. We have a significant presence in emerging markets, particularly in Asia and Latin America. Customers in these markets frequently request financial support from us as a result of the unavailability of financing from local financial markets and cross-border financing sources. Banks are generally reluctant to bear the risk that political events could cast doubt on the collectibility of loans extended to customers in these markets. These political risks are partially mitigated by obtaining risk coverage of our financing arrangements from various export credit agencies, regional development banks and institutions comprising the World Bank Group, in particular the Multilateral Investment Guarantee Agency (MIGA) and the International Finance Corporation (IFC).

In Asia, it was historically difficult for our customers to obtain financing from independent third party sources, particularly in the People's Republic of China, which is one of our largest markets. However, in recent years, the availability of financing has improved, decreasing our direct involvement in lending activities to customers. We currently have limited credit exposure in the Asian Pacific market, including in the People's Republic of China, as it represents only 7 percent of our total outstanding credit exposure.

Customer financing has been offered in Latin America for many years as a competitive tool to secure new business. The award of second licenses in Brazil resulted in significant credit undertakings by all vendors involved. We have significant credit risk exposure in Latin America, particularly in Brazil, which represents 24 percent of our total credit risk exposure. However, this share has declined during the last twelve months as a result of repayments by customers. Additionally, a large commitment to an operator in Brazil was recently cancelled and our contract with this customer is now on cash terms.

We had no credit losses in Latin America during the years 1999 and 2000. In 2001, two credits were fully written down for a total amount of SEK 768 million. While some financings have been restructured to extend the term for repayment. except for the two aforementioned credits, there have been no write downs. The rate of investment in telecommunications in Latin America has declined as a result of the poor regional economy. We do not intend to take on significant additional credit risk exposure in this region and instead will focus on collecting outstanding amounts under existing facilities.

Accounting for Customer Financing

Until December 31, 2001, we used associated finance companies to provide, in some cases, off-balance sheet customer financing, the aggregate amount of which was SEK 9.8 billion on December 31, 2001. A portion of the risk exposure was carried by third parties, leaving a net exposure of SEK 5.1 billion, guaranteed by us and included in our contingent liabilities. As of January 1, 2002, according to new Swedish GAAP rules, these finance companies are treated as consolidated subsidiaries. Our consolidated financial statements have been retroactively restated to reflect this consolidation. As a result, all of our off balance sheet financing is provided by third party lenders and is guaranteed by us. This has not affected the overall risk exposure, which amounts to SEK 26.8 billion on December 31, 2001.

In December, 2001, we arranged refinancing for a portfolio of customer credits of SEK 16.1 billion, in the aggregate, with a group of international banks and financial institutions. We entered into two facility agreements:

one for SEK 3.8 billion and the other for a portfolio of customer credits of SEK 12.3 billion, comprised of both currently drawn customer credits and future commitments to provide further financing. As of March 31, 2002, the remaining commitment amount available under these facility arrangements was SEK 7.4 billion.

Contractual Obligations and Commercial Commitments

The table below sets forth, as of December 31, 2001, our contractual obligations and commercial commitments, based upon the period in which payments are due:

	Less than 1 year	1-3 years	4-5 years	5 years and more	Total
Contractual Obligations			(in SEK billions)		
Note and bond loans	3.3	14.4	18.6	8.7	45.0
Liabilities to financial institutions (including financial lease obligations)	22.4	7.7	-	0.3	30.4
Convertible debentures[1]	-	4.4	-	-	4.4
Operating leases	3.6	5.7	4.0	9.2	22.5
Total	29.3	32.2	22.6	18.2	102.3

1 Subordinated in right of payment to all of our other outstanding debt.

In accordance with standard industry practice, we enter into bid and performance bonds related to long-term contracts for the supply of telecommunications equipment and services. Potential payments due under these bonds are related to our performance under applicable contracts. We have not had to make any significant payments under these types of bonds in the past and we currently do not anticipate that we will be required to make such payments under the bonds currently outstanding. As of December 31, 2001 total amounts committed under contractual guarantees and performance bonds were SEK 26 billion.

Our other commercial commitments of significance are our guarantees for off balance sheet customer financing provided by third party lenders of SEK 12.8 billion, as of December 31, 2001, adjusted for customer loans now included in our balance sheet as of January 1, 2002, as retroactively restated according to new Swedish GAAP rules. Since the underlying loans often are repaid prior to maturity or assumed by banks, in which case such guarantees are released prior to their stated terms, the effective credit periods are short- to medium-term. In addition to already outstanding customer loans, we also have contractual commitments to provide future financing. Credit commitments are conditional on the award of corresponding commercial contracts. We have recently been able to sell commitments prior to funding.

Critical accounting policies

The discussion and analysis of our results of operations and financial condition are based on our consolidated financial statements which have been prepared in accordance with Swedish GAAP. The preparation of these financial statements requires management to apply accounting methods and policies that are based on difficult, complex or subjective judgments by management or on estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of net sales and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions. We have summarized below our accounting policies that require more subjective judgment of our management in making assumptions or estimates regarding the effects of matters that are inherently uncertain.

Revenue Recognition

Our revenue recognition policies are determined in accordance with both Swedish GAAP and U.S. GAAP. On a global basis we offer a comprehensive portfolio of telecommunications and data communications systems and services covering a range of technologies. Our activities range from the delivery of spare parts to design, manufacture, installation and integration of complete network systems. We are required to apply judgment in how to apply our revenue recognition policies based on the solutions being provided to our customers, the nature and sophistication of the technology involved and the geography of the customer. Specific contractual performance and acceptance criteria and judgments in the areas of customer acceptance, installation and collectibility impact the timing and amounts of revenue recognized.

We apply the percentage-of-completion method or completed-contract method to the accounting for large and complex construction-type contracts. These contracts involve the supply of bespoke network systems to meet specific customer specifications and can require an extended period of time to complete. We prepare estimates of total contract costs and of our progress towards completion using estimates and judgments that take into account our historical experience, the advancement of the technology involved and other factors that are determined to be relevant. We assess inherent uncertainties that include system performance and implementation delays that might result from events both within and outside of our control. We are required to estimate the overall margin at completion on these contracts as well as evaluate the amount of possible losses based on estimates that could vary over time, taking into account factors such as changes in contractual terms and technical problems that might be encountered over the life of a contract. Changes in these estimates and unforeseen conditions that arise over the contract terms could result in a different pattern of revenue recognition and may affect future earnings.

Valuation of Receivables and Exposures Related to Customer Financing

We provide financing to certain customers in connection with significant sales of network infrastructure equipment. Financing may include funding for the direct purchase of our products and services, for network installation, and for working capital purposes. We are required to assess the collectibility of our receivables for purposes of initial revenue recognition, as well as to record receivables at anticipated realizable value. In instances where we have sold receivables with recourse or where we have exposure related to guarantees of customer financing, provisions are also recorded for the estimated amount of the recourse liability. We have credit approval procedures where all major customer financing contracts are subject to approval by the Finance Committee of the board of directors. In establishing appropriate allowances against receivables, we continuously monitor the financial stability of individual counterparties and apply considerable judgment over the ultimate realization of these receivables, taking into account the ability of counterparties to meet and sustain their financial commitments based on their current and projected financial condition, and the outlook for the telecommunications industry and economy in general.

Inventory Obsolescence and Commitments Related to Outsourcing Arrangements

We are required to state our inventories at the lower of cost or market. We record valuation allowances against our inventory that are equal to the difference between the cost of inventory and its estimated market value. We are required to make estimates about the future customer demand for our products, taking into account historical consumption patterns, order backlog, changes in technology, and projected sales based on economic conditions and growth prospects, market acceptance of current and future products. A misinterpretation of these conditions or uncertainty in the future outlook for the economy and of the telecommunications industry, or other failure to estimate correctly, could result in additional inventory losses in excess of the provisions determined to be appropriate as of the balance sheet date.

As a consequence of increased outsourcing of production to third parties, valuation allowances against inventory are now partly being replaced by allowances for supplier compensation for when we fail to meet minimum committed volume orders. We place orders based on estimates about future customer demand, taking account of the factors listed above. Any misjudgment relating to these factors could result in additional losses in excess of the provisions determined to be appropriate as of the balance sheet date.

Customer Warranties

We record allowances for warranties given to our customer for manufacturing defects in our systems. These allowances are estimated based on expected warranty costs taking into account historic rates of return and historical warranty costs incurred. Warranty allowances are recorded within cost of sales and are estimated when the related systems are sold. Actual costs may differ from the amounts covered by the allowances and therefore may affect future earnings.

Changes in Financial Reporting and Accounting Policies

Swedish GAAP

There were no changes in Swedish GAAP or in our accounting policies during 1999, 2000 and 2001. In 2002, we have implemented the following new accounting standards:

RR 1:00 - Consolidated financial statements. RR 1:00 is an update of RR 1:96. The main changes in RR 1:00 compared to RR 1:96 are related to consolidation of companies with a controlling interest, regardless of ownership or voting majority, goodwill/negative goodwill, provisions for restructuring charges and valuation in connection with an acquisition. Goodwill can, in rare situations, be amortized during a period longer than 20 years.

In RR 1:96 20 years was the limit. The treatment of negative goodwill is more restricted in the new standard. The new standard also limits the ability to account for provisions for restructuring charges in connection with an acquisition.

RR 15 - Intangible assets. RR 15 prescribes the accounting for and disclosure of intangible assets. The standard applies, among other things, to expenditures on advertising, training, start-up and research and development activities. An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

RR 16 - Provisions, contingent liabilities and contingent assets. The objective of the standard is to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets, and that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount.

RR 17 - Impairment of assets. RR 17 prescribes the accounting and disclosure for impairment of assets. The standard requires that the recoverable amount of an asset shall be estimated whenever there is an indication that the asset may be impaired. RR 17 requires an impairment loss to be recognized whenever the carrying amount of an asset exceeds its recoverable value.

RR 19 - Discontinuing operations. The standard addresses presentation and disclosure relating to discontinuing operations. The objectives of RR 19 are to establish a basis for segregating information about a major operation that an enterprise is discontinuing from information about its continuing operations and to specify minimum disclosure about a discontinuing operation.

RR 21 - Borrowing costs. The standard describes the accounting treatment for borrowing costs. The standard generally requires borrowing costs be expensed immediately.

RR 22 - Presentation of *financial statements.* The objective of this standard is to prescribe the basis for presentation of general purpose financial statements, in order to ensure comparability both with the enterprise's own financial statements of previous periods and with the financial statements of other enterprises. To achieve this objective, this standard sets out overall considerations for the presentation of financial content of financial statements.

RR 23 - Related party disclosures. This standard shall be applied in dealing with related parties and transactions between a reporting enterprise and its related parties. The requirements of this standard apply to the financial statements of each reporting enterprise.

The implementation of RR 1:00, RR15, RR16, RR17 and RR19 was optional during 2001 and mandatory no later than 2002. RR21 and RR23 are mandatory from 2002. RR22 is mandatory from 2003. A retrospective restatement is required for each of these recommendations, except for RR15, which does not permit restatement.

With the exception of RR 1:00 and RR15, we expect that the adoption of these standards will not have a material impact on our future consolidated financial statements.

Under RR 1:00, beginning in 2002, certain finance companies, in which we are deemed to have a controlling interest, are consolidated. The principal effect of this change is to record loans extended pursuant to customer finance arrangements and external loans to finance these loans on our balance sheet instead of recording them as contingent liabilities. Prior years have been restated to reflect this change.

Under RR15, beginning in 2002, certain development costs are capitalized and subsequently amortized after a project has reached a certain degree of technical feasibility. As a result, we expect that during the next few years reported results from operations will increase, as amounts being capitalized are expected to exceed the related annual amortization. Under U.S. GAAP, we already capitalize certain development costs, as reflected in Note 24 to our audited consolidated financial statements.

U.S. GAAP

SFAS 133. On January 1, 2001, the Company adopted SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 "Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133, an amendment of FASB Statement No. 133," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133" (referred to hereafter as "SFAS 133").

SFAS 133 establishes accounting and reporting standards for derivative instruments and hedging activities and requires the Company to recognize these instruments as either assets or liabilities on the balance sheet and measure them at fair value. As described in Note 24 to the financial statements, gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting.

In accordance with the transition provisions of SFAS 133, the Company recorded SEK 421 million net-of tax cumulative effect adjustments in earnings as of January 1, 2001. The Company recorded SEK 1,665 million net-of-tax cumulative effect adjustments in accumulated other comprehensive income ("OCI") as of January 1, 2001. In the year ended December 31, 2001, the Company reclassified as a charge to earnings SEK 1,665 million of the transition adjustment that was recorded in OCI.

SFAS 141 and 142 .In June 2001, the Financial Accounting Standards Board (FASB or the "Board") issued Statement of Financial Accounting Standards No. 141 (SFAS 141), "Business Combinations", and No. 142 (SFAS 142), "Goodwill and Other Intangible Assets", collectively referred to as the "Standards". SFAS 141 supersedes Accounting Principles Board Opinion (APB) No. 16, "Business Combinations". The provisions of SFAS 141 (i) require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, (ii) provide specific criteria for the initial recognition and measurement of intangible assets apart from goodwill, and (iii) require that unamortized negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. SFAS 141 also requires that upon adoption of SFAS 142 the Company reclassify the carrying amounts of certain intangible assets into or out of goodwill, based on certain criteria. SFAS 142 supersedes APB 17, "Intangible Assets", and is effective for fiscal years beginning after December 15, 2001. SFAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provisions of SFAS 142 (i) prohibit the amortization of goodwill and indefinite-lived intangible assets, (ii) require that goodwill and indefinite-lived intangibles assets be tested annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and/or indefinite-lived intangible assets may be impaired), (iii) require that reporting units be identified for the purpose of assessing potential future impairments of goodwill, and (iv) remove the forty-year limitation on the amortization period of intangible assets that have finite lives.

The provisions of the Standards also apply to equity-method investments made both before and after June 30, 2001. SFAS 141 requires that the unamortized deferred credit related to an excess over cost arising from an investment that was accounted for using the equity method (equity-method negative goodwill), and that was acquired before July 1, 2001, must be written-off immediately and recognized as the cumulative effect of a change in accounting principle. Equity-method negative goodwill arising from equity investments made after June 30, 2001 must be written-off immediately and recorded as an extraordinary gain, instead of being deferred and amortized. SFAS 142 prohibits amortization of the excess of cost over the underlying equity in the net assets of an equity method investee that is recognized as goodwill.

The adoption of SFAS 141 did not have an impact on the business, results of operations, and financial position of the Company.

The Company is required to adopt the provisions of SFAS 142 effective from January 1, 2002. The Company is in the process of preparing for its adoption of SFAS 142 and is making the determinations as to what its reporting units are and what amounts of goodwill, intangible assets, other assets, and liabilities should be allocated to those reporting units. The Company expects that it will no longer record SEK 0.9 billion of annual amortization relating to its existing goodwill. The Company has determined that it does not have any intangible assets that have an indefinite life. The Company does not have any negative goodwill balances that will be written off upon adoption of SFAS 141.

SFAS 142 requires that goodwill be tested annually for impairment using a two-step process. The first step is to identify a potential impairment and, in transition, this step must be measured as of the beginning of the fiscal year. The second step of the goodwill impairment test measures the amount of the impairment loss (measured as of the beginning of the year of adoption), if any, and must be completed by the end of the Company's fiscal year. The Company is in the process of performing its transitional impairment test and has not yet determined the full impact that the adoption of SFAS 142 will have on the business, results of operations, and financial condition of the Company. Any impairment loss resulting from the transitional impairment tests will be reflected as the cumulative effect of a change in accounting principle.

SFAS 143. In August 2001, the FASB issued SFAS No. 143, “Accounting for Obligations Associated with the Retirement of Long-Lived Assets”. The provisions of SFAS No. 143 apply to all entities that incur obligations associated with the retirement of tangible long-lived assets. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002 and will become effective for the Company on January 1, 2003. The effects of this standard, if any, are not yet evaluated by the company.

SFAS 144. In October 2001, the FASB issued SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. SFAS No. 144 provides guidance on accounting for the impairment or disposal of long-lived assets. The objectives of the statement are to address issues relating to the implementation of SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of”, and to develop a model for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company is required to adopt the provisions of SFAS 144 effective from January 1, 2002. The effects of this standard, if any, have not yet been evaluated by the Company.

SFAS 145. On April 30, 2002, the FASB issued SFAS No. 145, Recission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections. Among other amendments and recissions, SFAS No. 145 eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect, unless such gains and losses meet the criteria in paragraph 20 of Accounting Principles Board Opinion No. 30, “Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions”. Generally, SFAS 145 is effective for transactions occurring after May 15, 2002. SFAS 145 will not have a material impact on the Company’s consolidated financial position or results of operations. The effects of this standard, if any, have not yet been evaluated by the Company.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Item 6A: Directors and Senior Management

Board of Directors

Our board of directors consists of eight directors who were elected by the shareholders at the annual general meeting on March 27, 2002 and three employee representatives, each with a deputy, appointed by their respective trade union.

We have three board of directors committees and, in addition, a nomination committee comprised of representatives of our primary shareholders and the Chairman of the board of directors, which are described below under the heading "—Board Procedures and Committees".

The members of our board, the year of their respective original election, their age, position, and their respective holdings of shares, convertible debentures and options as of May 23, 2002 are as follows:

Name	Member Since	Age	Position	B Shares	Convertible Debentures 1997/2003 (in SEK)	Options
Michael Treschow......	2002	59	Chairman	8,000	-	-
Tom Hedelius............	1991	62	Deputy Chairman	72,616	-	-
Marcus Wallenberg....	1996	45	Deputy Chairman	352,000	-	-
Peter L. Bonfield........	2002	57	Director	-	-	-
Lena Torell	2002	55	Director	-	-	-
Sverker Martin-Löf....	1993	58	Director	8,000	-	-
Eckhard Pfeiffer	2000	60	Director	15,200	-	-
Peter Sutherland.........	1996	56	Director	-	-	-
Göran Engström	1994	54	Employee Representative	5,132	1,680	1,200
Jan Hedlund.............	1994	56	Employee Representative	95	1,280	-
Per Lindh	1995	45	Employee Representative	-	-	-
Monica Bergström	1998	41	Employee Representative, Deputy	60	1,280	0
Christer Binning	1994	56	Employee Representative, Deputy	180	2,463	0
Åke Svenmarck	2000	59	Employee Representative, Deputy	-	-	-

(1) Number of B shares assuming conversion of debentures at SEK 59 per B share.

(2) Number of B shares assuming full exercise of options under applicable plan.

Michael Treschow, Chairman (since 2002)

Chairman of the board of directors and member of the Finance, Remuneration and Nomination Committees. Former President and Chief Executive Officer of Electrolux AB. Member of the board of directors of Electrolux AB and Atlas Copco AB. Deputy Chairman of the Federation of Swedish Enterprise.

Tom Hedelius, Director (since 1991)

Deputy Chairman of the board of directors and member of the Finance Committee. Former Chairman of Svenska Handelsbanken AB, now honorary Chairman. Honorary Doctor of Economics. Chairman of the board of directors of AB Industrivärden, Bergman & Beving AB, Svenska Le Carbone AB and the Foundation of Anders Sandrew. Deputy Chairman of Addtech AB, Lagercrantz Group AB and the Jan Wallander and Tom Hedelius Foundation. Member of the board of directors of Volvo AB and Svenska Cellulosa Aktiebolaget SCA.

Marcus Wallenberg, Director (since 1996)

Deputy Chairman of the board of directors and member of the Finance Committee. President and Chief Executive Officer of Investor AB. Deputy Chairman of Saab AB and Skandinaviska Enskilda Banken AB. Member of the board of directors of, among others, AstraZeneca plc, Investor AB, Scania AB, Stora Enso Oy and the Knut and Alice Wallenberg Foundation.

Peter L. Bonfield, Director (since 2002)

Member of the Audit Committee. Former Chief Executive Officer of BT Group. Member of the board of directors of AstraZeneca plc, Mentor Graphics Inc. and TSMC Ltd. Deputy Chairman of the British Quality Foundation. Member of the International Advisory Group of Salomon Smith Barney.

Lena Torell, Director (since 2002)

Member of the Remuneration Committee. Doctor of Physics. Professor. President of the Royal Swedish Academy of Science. Member of the board of directors of Imego AB, Universeum AB and the European Council of Applied Sciences and Engineering.

Sverker Martin-Löf, Director (since 1993)

Chairman of the Audit Committee. Chairman and former President and Chief Executive Officer of Svenska Cellulosa Aktiebolaget, SCA. Member of the board of directors of SCA, Skanska AB, Svenska Handelsbanken AB, AB Industrivärden and the Confederation of Swedish Enterprises.

Eckhard Pfeiffer, Director (since 2000)

Member of the Audit Committee. Former President and Chief Executive Officer of Compaq Computer Corporation, Chairman of the board of directors of Intershop Communications. Member of the board of directors of General Motors, Hughes Electronics Corporation, IFCO Systems, Syntek Capital and Biogen. Member of the Business Council and the Advisory Board of Deutsche Bank.

Peter Sutherland, Director (since 1996)

Member of the Remuneration Committee. Honorary Doctor. Chairman of the board of directors of Goldman Sachs International and British Petroleum. Member of the board of directors of Investor AB, Royal Bank of Scotland Group, National Westminster Bank and the Foundation of the World Economic Forum.

Göran Engström, Director (since 1994)

Member of the Finance Committee. Employee representative.

Jan Hedlund, Director (since 1994)

Member of the Audit Committee. Employee representative.

Per Lindh, Director (since 1995)

Member of the Remuneration Committee. Employee representative.

Monica Bergström, Deputy Director (since 1998)

Employee representative.

Christer Binning, Deputy Director (since 1994)

Employee representative.

Åke Svenmarck, Deputy Director (since 2000)

Employee Representative.

No director currently holds a management position at Ericsson. No director has been elected pursuant to an arrangement or understanding with any major shareholder, customer, supplier or other person. No director has a family relationship with any other director or executive officer.

Corporate Management

The table below discloses the senior members of our corporate management, the year of appointment to their current position or hire date, as applicable, their age, position and holdings of shares, convertible debentures and options as of May 23, 2002:

Name	Year of Appointment	Age	Position	A Shares	B Shares	Convertible Debentures 1997/2003[1]	Options[2]
Kurt Hellström	1999	59	President & Chief Executive Officer	-	22,692	2,463	578,040
Sten Fornell................	2000	54	Executive Vice President & Chief Financial Officer	-	176,000	-	378,920
Ragnar Bäck...............	2000	58	Executive Vice President	-	1,000	2,463	236,236
Per-Arne Sandström	2001	54	Executive Vice President	-	2,904	2,463	290,724
Mats Dahlin	1998	47	Executive Vice President	-	8,489	-	383,432
Gerhard Weise............	2001	54	Executive Vice President	-	27,496	2,463	234,388
Carl Olof Blomqvist	1999	51	Senior Vice President	6,080	501	-	186,816
Torbjörn Nilsson.........	1998	49	Senior Vice President	-	23,520	2,463	368,600
Britt Reigo	1988	59	Senior Vice President	-	12,000	2,463	276,224
Jan Uddenfeldt	1998	52	Senior Vice President	-	4,911	-	329,672
Henry Sténson	2002	47	Senior Vice President		5,000		

(1) Number of B shares assuming conversion of debentures at SEK 59 per B share.

(2) Aggregate number of B shares assuming full exercise of options under applicable plan. See "—Item 6E: Share Ownership".

Our President, Chief Executive Officer and Executive Vice Presidents are appointed by our board of directors.

The Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the other Executive Vice Presidents and the Heads of Corporate Functions (including the Chief Financial Officer) comprise the corporate management. All members and the year of appointment are as follows:

Kurt Hellström, President (since July, 1999) and Chief Executive Officer (since January, 2001). Prior to assuming this position, Mr. Hellström was the Head of Market Area Asia Pacific.

Sten Fornell, Executive Vice President and Chief Financial Officer (since January 2000). Head of Corporate Function Finance. Prior to assuming this position, Mr. Fornell was the Chief Financial Officer of Division Mobile Systems.

Per-Arne Sandström, Executive Vice President (since March 2001) and Chief Operating Officer (since September 2001). Prior to assuming this position, Mr. Sandström was the Head of Market Area North America.

Ragnar Bäck, Executive Vice President (since March 2000). Head of Market Area Asia Pacific (since November 2001). Prior to assuming this position, Mr. Bäck was the Head of Market Area Western Europe.

Mats Dahlin, Executive Vice President (since October 1998). Head of Market Area Europe, Middle East and Africa (since November 2001). Prior to assuming this position, Mr. Dahlin was the Head of Division Mobile Systems.

Gerhard Weise, Executive Vice President (since May 2001). Head of Market Area Americas. Prior to assuming this position, Mr. Weise was the Head of Market Area Latin America.

Carl Olof Blomqvist, Senior Vice President and General Counsel (since May 1999). Corporate Function Legal Affairs. Prior to assuming this position, Mr. Blomqvist was a partner of the Mannheimer Swartling law firm.

Henry Sténson, Senior Vice President (since May 2002). Corporate Function Communications. Prior to assuming this position, Mr. Sténson was the Head of SAS Group Communication, SAS AB.

Torbjörn Nilsson, Senior Vice President (since October 1998). Corporate Function Marketing and Strategic Business Development. Prior to assuming this position, Mr. Nilsson was the Head of Strategic Business Development, Mobile Systems.

Britt Reigo, Senior Vice President (since January 1988). Corporate Function People and Culture. Prior to assuming this position, Mrs. Reigo was the Director of Inflight Service, SAS AB.

Jan Uddenfeldt, Senior Vice President (since October 1998). Corporate Function Technology. Prior to assuming this position, Mr. Uddenfeldt was the Head of Technology and worldwide R&D Operations, Mobile Systems.

No member of the corporate management has a family relationship with any other Director or Corporate Management member.

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

Item 6B: Compensation of Directors and Officers

For the year ended December 31, 2001, the aggregate fees paid to all of the directors were SEK 7.7 million. The aggregate salaries paid to corporate management were SEK 53.9 million and the aggregate pension and value of benefits were SEK 56.9 million. The salary paid and the value of benefits to Kurt Hellström in his capacity as President amounted to approximately SEK 16.9 million in 2001. Sven Christer Nilsson, our former President, was entitled to severance pay from July 7, 1999 to July 8, 2001 of approximately SEK 10.7 million in the aggregate, of which SEK 3,642,604 was paid during 2001.

During 2001, our corporate management was entitled to an annual bonus based on the achievement of cash flow targets with a target pay out level of 20 percent and a maximum of 40 percent of base salary. The targets were based on year-end figures and the bonuses were paid at the beginning of 2002.

Compensation, including pension costs, of all directors and the President, former President, and present and former Executive Vice Presidents was SEK 101.6 million. The amount set aside or accrued in 2001 to provide pension, retirement or similar benefits for the President, former President, and present and former Executive Vice Presidents was SEK 45.5 million. Our employees, including members of our corporate management, are covered by various national social service programs to which we contribute.

During 2001, we paid our Chairman SEK 2.5 million, Deputy Chairmen SEK 750,000 each and other directors SEK 500,000 each. In addition, each director serving on a board committee received SEK 100,000. Directors and deputy directors of our board who are also employees received no remuneration or benefits other than their entitlements as employees. However, we paid SEK 1,000 per attended meeting to each employee representative on our board. We are not obligated to pay benefits to any of our directors upon termination of their employment pursuant to directors' service contracts.

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 may be given by the employee due to significant structural changes or other events which occur that affect the content of work or the condition for that employee's position. Upon termination of employment, severance pay amounting to two years' salary is normally paid. In certain cases, if the employee is 50 years of age or older, 40 to 60 percent of the employee's final salary, depending on age, is paid annually to the age of 60. Such payments are made currently during the pertinent period and cease at the age of 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 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 in 2002 (1 basis amount = SEK 37,900), 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.

For a description of our employee stock option plans, see "Item 6E: Directors and Senior Management—Share Ownership."

Item 6C: Board Practices

The board designates, through a work procedure, how various responsibilities will be distributed among the board and its committees and between the board and the President. This work procedure is revised and adopted by the board at least once a year. The board has generally authorized each committee to decide on certain issues and may also provide extended authorization to a committee to decide on specific matters.

The *Audit Committee* consists of four directors appointed by the board. The present members are Sverker Martin-Löf, Chairman of the committee, Peter L. Bonfield, Eckhard Pfeiffer and Jan Hedlund. The Audit Committee is primarily responsible for reviewing annual and interim financial statements, overseeing the audit process, including audit fees, resolving matters arising during the course of audits and coordinating internal audit functions.

Pursuant to the board's work procedure, the Audit Committee reviews the audited financial statements with management and the independent auditors, PricewaterhouseCoopers, including the acceptability and the appropriateness of significant accounting principles. The Audit Committee also reviews with management the reasonableness of significant estimates and judgments made in preparing the financial statements, as well as the quality of the disclosures in the financial statements. In addition, the Audit Committee reviews with PricewaterhouseCoopers its independence from management and the company, including the impact of non-audit-related services provided to the company.

The *Finance Committee* consists of four directors appointed by the board. The present members are Michael Treschow, Chairman of the committee, Tom Hedelius, Marcus Wallenberg and Göran Engström. The Finance Committee is primarily responsible for handling matters regarding acquisitions and divestments, capital contributions to companies inside and outside the Ericsson group, raising of loans, issuances of guarantees and similar undertakings and approvals of financing support to customers in excess of USD 25 million, as well as continuously monitoring the group's financial risk exposure.

The *Remuneration Committee* consists of four directors appointed by the board. The present members are Peter Sutherland, Chairman of the committee, Lena Torell, Michael Treschow and Per Lindh. The Remuneration Committee is primarily responsible for reviewing and preparing proposals of salary and other remuneration, including retirement compensation to the President, Executive Vice Presidents, and other officers reporting directly to the President. These proposals are then presented to the board for resolution. In addition, the committee is responsible for strategies and general guidelines with respect to employee compensation, including incentive plans and retirement compensation.

The *Nomination Committee* consists of Michael Treschow, Chairman of the committee, and various shareholder representatives. The main task of the committee is to nominate individuals for election to the board of directors. The Nomination Committee also prepares proposals concerning directors fees, which are presented at the annual general meeting for resolution.

Item 6D: Employees

As of December 31, 2001, we had over 85,000 employees around the world. We consider our highly qualified and motivated employees as critical to successful execution of our strategy.

The following table presents the number of employees by region at the dates indicated:

Region	December 31, 1999	December 31, 2000	December 31, 2001
Europe, Middle East, Africa	70,943	71,144	62,743
North America	12,174	13,481	8,929
Latin America	8,249	8,457	5,333
Asia Pacific	11,924	12,047	10,193
Total	103,290	105,129	85,198
Of which Sweden	44,040	42,431	37,328
Of which EU	66,240	66,241	56,427

In accordance with our recent cost reduction measures, we reduced the number of employees by 19 percent during 2001. Please see "Item 5A: Operating and Financial Review and Prospects? Results of Operations? Major Events and Factors Impacting our Business—Restructuring Programs and Ongoing Cost Reduction Measures" for additional information on our cost-reduction programs and restructuring measures.

The following table presents the number of employees in each of our segments at the dates indicated:

Segment	December 31, 1999	December 31, 2000	December 31, 2001
Systems	65,115	71,102	67,898
Phones	16,446	16,840	0(1)
Other operations	20,720	16,059	15,861
Unallocated	1,009	1,128	1,439
Total	103,290	105,129	85,198

(1) Approximately 3,000 employees in our Phones segment were transferred to Sony Ericsson Mobile Communications. See "Item 4B: Business Overview—Phones? Sony Ericsson Mobile Communications." Employees in retained operations are now included in Other Operations.

The majority of our employees in Sweden belong to the following trade unions: SIF (the Swedish Union of Salaried Employees), the Swedish Association of Graduate Engineers, the Swedish Union of Industrial Supervisors and the Swedish Metal Worker's Union. Many of our employees located outside Sweden, in particular those located in other European countries, also belong to trade unions. Central and industry-wide agreements on wages and salaries in Sweden were renegotiated in 2001 and remain applicable through the first quarter of 2004, resulting in an estimated average increase of 3.0–3.5 percent per annum. We believe that our relations with these unions and our employees in general are good.

Item 6E: Share Ownership

Convertible Debentures and Option Plans

Our convertible debentures, option plans and stock purchase plans are described below.

If all options, based on warrants and convertible debentures outstanding as of March 31, 2002, were exercised, we would be required to issue 133.6 million B shares, corresponding to 1.7 percent of our share capital and 133,600 votes and an increase in shareholder equity of SEK 12,096 million. If all options, based on repurchased shares outstanding as of March 31, 2002, were exercised, and assuming approximately 20 percent of the options are designated to cover social security charges, we would have to transfer 58.8 million B shares, corresponding to 0.7 percent of our share capital and 48,900 votes and an increase in shareholder equity of SEK 4,009 million.

Convertible Debentures

In 1997, we issued to employees SEK 6 billion of convertible debentures due 2003. The convertible debentures are convertible at the option of the holder into B shares for SEK 59 per share through May 30, 2003. If all convertible debentures outstanding as of December 31, 2001 were converted to B shares for SEK 59 per share, we would be required to issue 76,454,504 B shares upon conversion. The convertible debentures bear interest at a rate equivalent to the Stockholm Interbank Offer Rate minus 1.5 percent. Interest is payable on January 30 of each year and on the maturity date, June 30, 2003.

The following table sets forth information with respect to options issued to our employees and corporate management as of March 31, 2002.

Option Plan	Number of issued securities	Security	Final Exercise Date	Exercise price, SEK	Employees participating
1999	1.4 million	options	February 28, 2007	212.81	1,800
2000	50.4 million	options	January 18, 2007	132.80	8,000
2001	47.5 million	options	May 14/November 19, 2008	64.00/57.00	15,000

1999 Option Plan

1.4 million options were granted in March 2000 to approximately 1,800 key employees and senior executives under the 1999 Option Plan, where each option entitles the holder to purchase one B share for SEK 212.81. The options expire February 28, 2007 and are subject to vesting requirements, meaning that they are exercisable as follows: 30 percent in 2003, 40 percent in 2004 and 30 percent in 2005.

The 1999 Option Plan is based on 1.8 million repurchased B shares, where 0.4 million shares are designated for covering social security costs.

Millennium Stock Option Plan

50.4 million options were granted in January 2000 to approximately 8,000 key employees and senior executives under the Millennium Stock Option Plan, where each option entitles the holder to purchase one B share for SEK 132.80. The options expire January 18, 2007 and are subject to vesting requirements, meaning that one-third is exercisable after one year, two-thirds after two years and all options after three years.

The Millennium Stock Option Plan is based on 57.1 million warrants, i.e. subscription rights for new B shares, where 6.7 million shares are designated for covering social security costs.

Global Stock Option Plan

A total of 47.5 million options were granted in May and November 2001 to approximately 15,000 key contributors under the Global Stock Option Plan, where each option entitles the holder to purchase one B share for SEK 64 (the May grant) and SEK 57 (the November grant). The options expire May 14, 2008 and November 19, 2008, respectively, and are subject to vesting requirements, meaning that one third is exercisable after one year, two thirds after two years and all options after three years. Further grants are scheduled for 2002.

The Global Stock Option Plan is based on 120 million repurchased B shares, where approximately 20 percent of the shares are designated for covering social security costs.

Stock Purchase Plan

Most employees are 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 gross salary, not exceeding the equivalent of SEK 50,000 annually, for the purchase of B shares. If the purchased shares are retained by the employee for three years and employment at Ericsson continues during that time, the employee will be given a corresponding number of B shares free of charge. A total of 35 million B shares are allocated to the Stock Purchase Plan (which number includes B shares used as a hedge for social security cash outflow). The Stock Purchase Plan is being implemented during 2002. As of May 15, 2002, 4.9 million shares have been purchased under the Stock Purchase Plan.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Item 7A: Major Shareholders

The following table sets forth as of March 28, 2002, share information with respect to our largest shareholders, ranked by percentage of voting rights.

Identity of person or group[(1)]	Number of A shares	Percentage of total A shares	Number of B shares	Percentage of total B shares	Percent of total capital stock	Percent of total voting rights
Investor AB	256,660,096	39.1	12,577,488	0.1	4.7	38.7
AB Industrivärden	186,000,000	28.3	3,000,000	0.04	2.3	28.0
Svenska Handelsbankens Pensionsstiftelse	35,500,000	5.4	-	-	0.4	5.3
Livförsäkrings AB Skandia	32,962,932	5.0	77,433,474	1.04	1.4	5.0
Svenska Handelsbankens Pensionskassa	31,680,000	4.8	-	-	0.4	4.8
Oktogonen, Stiftelsen	12,560,000	1.9	343,000	N.M.	0.2	1.9
Gamla Försäkringsbolaget SEB-Trygg Liv	11,934,720	1.8	59,578,910	0.8	0.9	1.8
Svenska Handelsbankens Personalstiftelse	10,000,000	1.5	-	-	0.1	1.5
EB-pensionsstiftelsen	8,554,767	1.3	400,000	N.M.	0.1	1.3
Tredje AP-Fonden	4,276,900	0.65	59,048,584	0.79	0.8	0.7
SHB Fonder	4,469,000	0.68	78,024,474	1.05	1.0	0.7
Hagströmer & Qviberg Fondkommission	2,960,001	0.45	12	N.M.	0.0	0.4
Fjärde AP-Fonden	2,191,000	0.33	96,075,000	1.29	1.2	0.3
Andra AP-Fonden	2,191,000	0.33	81,064,565	1.09	1.0	0.3
Första AP-Fonden	2,191,000	0.33	88,765,843	1.19	1.1	0.3
Others	52,087,224	7.9	6,696,170,017	90.4	82.5	9.0
Number of shares repurchased	-	-	156,804,000[(2)]	2.12	1.9	0.0
Total capital stock	656,218,640		7,409,285,367		100.0	100.0

(1) As reported by SIS Ägarservice AB on March 28, 2002.

(2) Held by us as treasury stock with zero book value and carrying no participation or voting rights.

Currently, one A share has one-thousand times the voting power of one B share. In May 2002, shareholders owning a majority of our A share voting rights, including Investor AB and AB Industrivärden, established a task force to assess how to reduce the discrepancy in voting power between our A shares and B shares with a view to leveling the difference in voting rights from one-thousand to one to ten to one. The shareholders have announced their intention to formulate a proposal, which will include compensation for the affected shareholders, prior to the May 2003 annual general meeting of shareholders. Any proposal to change this voting discrepancy and to provide compensation to affected shareholders will need to be approved by our shareholders and there can be no assurance that such approval will be obtained.

As of March 28, 2002, we had 753,965 shareholders. As of April 25, 2002, we had 9,875 registered ADS holders representing 1,091,059,630 ADSs. As of March 28, 2002, approximately 84.7 percent of our shares were owned by Swedish and international institutions. Approximately 54.2 percent of our shares were held by investors with registered addresses in Sweden, 24.2 percent in the United States, 4.5 percent in the United Kingdom, 4.5 percent in Luxembourg, 3.1 percent in Switzerland, 2.7 percent in Germany and approximately 6.8 percent in other countries.

Distribution of shares, March 28, 2002	Number of shareholders	Percent of total shareholders, %	Number of shares	Percent of total shares, %	Average number of shares per shareholder
1-500	457,430	60.7	87,992,864	1.1	192
501-5,000	245,666	32.5	411,168,548	5.1	1,674
5,001-20,000	39,926	5.3	386,721,538	4.8	9,686
20,001 +	10,943	1.5	7,179,621,057	89.0	656,093
Total	753,965	100.0	8,065,504,007	100.0	10,679

The following table indicates the significant changes in the percentage ownership held by our major shareholders since December 31, 1998:

Highest % of Shareholder	Lowest % of total A-shares[(1)]	Highest % of total A-shares[(1)]	Lowest % of total B-shares[(1)]	Total B-shares[(1)]
Investor AB	39.1	22.5	1.8	1.5
AB Industrivärden	28.4	27.3	0.0	0.0
SHB pensionssiftelse	5.8	5.4	0.1	0.0
Livförsäkrings Skandia AB	5.0	5.0	1.2	0.6
SHB pensionskassa	4.8	4.8	0.1	0.0
Wallander & Hedelius Stiftelse	2.4	0.5	0.0	0.0
Oktogonen Stiftelsen	1.0	1.6	0.0	0.0
Gamla Livförsäkingsbolaget SEB-Trygg Liv	1.8	1.3	1.7	0.7
EB-pensionstiftelsen	1.7	1.3	0.0	0.0
SHB personalstiftelse	1.5	1.5	0.0	0.0
Fjärds AP-fonden	1.3	0.3	4.2	1.1
Tredje AP-Fonden[(2)]	0.7	0.0	1.1	0.4
SHB fonder	0.7	0.6	0.8	0.5

(1) From December 31, 1998 to December 31, 2001. According to SIS Ågarservice AB.
(2) On January 31, 2001, Fernte AP-fonden changed names to Tredje P-fonden.

We do not know of any arrangements that might result in a change of our control.

Item 7B: Related Party Transactions

In order to support the development of Mobile Internet applications, systems and services, we continue to participate in numerous venture capital investments. We make direct investments through our operating subsidiaries in companies that are strategic to our core businesses. We also make direct investments in smaller start-up companies through our Business Innovation group. In addition to direct investments, we have also formed joint ventures to facilitate and support our venture capital activities. For example, Ericsson Venture Partners was formed in 2000 together with Investor AB, AB Industrivärden and Merrill Lynch. The venture focuses on investments in the communications industry in Europe, the Americas and the Middle East with particular emphasis on the Mobile Internet market. Investor AB and AB Industrivärden also participate in certain finance companies which provide customer financing. These transactions have been negotiated on an arms' length basis, and we believe the terms of these transactions are no less favorable to us than they would have been had they been entered into with unrelated parties. Please see "Item 11A: Quantitative and Qualitative Disclosures about Market Risk—Credit Risk—Customer Financing Risk Management."

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 December 31, 2001 are included at "Item 17: Financial Statements".

For a discussion of our legal proceedings, please see "Item 4: Information on the Company—Legal Proceedings" and for a discussion of our policy on dividend distributions, please see "Item 10B: Additional Information—Memorandum and Articles of Association."

Item 8B: Significant Changes

We are proposing to offer to our shareholders rights to subscribe for new B shares and to our ADS holders rights to subscribe for new ADSs representing new B shares. As of March 28, 2002, we had 656,218,640 A shares and 7,409,285,367 B shares outstanding.

The industry environment has been extremely challenging since the end of 2000 and has adversely affected the financial position of almost all telecommunications equipment suppliers. Given this background and the uncertain outlook, we believe it is prudent to act now in the interests of all our constituencies – shareholders, creditors, customers and employees – and that by managing our financial risk prudently we will have increased security if market conditions remain poor or deteriorate further.

We are also convinced that a solid financial position with a strong balance sheet and ample liquidity will provide us with competitive benefits in this uncertain environment, allowing us to maintain and improve our leading market position by providing the financial strength necessary to allow organic expansion while also providing for ongoing strategic flexibility. Our board of directors has therefore concluded that our shareholders' interests are best served by a B share rights offering through which we expect to raise net proceeds of approximately SEK 29.7 billion (approximately USD 2.85 billion), assuming the rights offered are fully subscribed and after deduction of fees and expenses in connection with the offering.

Our two largest shareholders, Investor AB and AB Industrivärden, have indicated that they intend to subscribe fully the rights offered to them by the Company.

As of March 31, 2002, our equity to assets ratio was 28 percent and we had net debt of SEK 25 billion. To meet the objectives stated above, we believe that an equity to assets ratio of 40 percent would be more appropriate. Assuming full subscription in the offering, the additional capital from the offering would result in a pro forma equity to assets ratio of 36 percent as of March 31, 2002, which brings us closer to this target. If we were to use the proceeds from the offering to retire debt, the ratio would improve further.

Assuming full subscription, proceeds from the offering will be approximately SEK 29.7 billion (approximately USD 2.85 billion) after fees and expenses which we estimate will be approximately SEK 300 million (approximately USD 29 million). As described above, the offering is intended to strengthen our financial condition generally, by adding permanent equity capital and increasing liquidity and decreasing our leverage and our net indebtedness. It is our expectation that a portion of the proceeds will be used to refinance indebtedness. As of March 31, 2002, our interest bearing liabilities maturing within twelve months were SEK 19.2 billion, of which current maturities of long-term debt were SEK 1.2 billion, financial lease obligations were SEK 7.5 billion and other short-term bank debt was SEK 10.5 billion. While no decision has been made as to which specific borrowings are to be repaid or refinanced, it is likely that we will repay certain of these borrowings as they mature. Additional net proceeds from the offering will be used for general corporate purposes. In the short-term, the net proceeds will be held as cash and/or invested in investment-grade, interest bearing securities.

We have entered into various new contractual arrangements in the ordinary course of business during 2002. We entered our first global contract to supply Multimedia Messaging Services (MMS) software to Vodafone Group Plc (UK). Together we have agreed to a rollout schedule that will see commercial availability of the service in Europe from the middle of 2001. Ericsson Mobile Platforms has signed a licensing agreement regarding mobile phone technology for 2.5G and 3G/UMTS with LG Electronics (Korea). And we signed an agreement with Verizon Wireless (USA) for our CDMA 2000 AAA (Authentication, Authorization and Accounting) solution for Verizon's CDMA 2000 1XRTT Express Network.

In June 2002, we entered into an agreement to sell our microelectronics operation to Infineon Technologies for aggregate purchase consideration of approximately EUR 400.0 million. The closing of the sale is subject to customary conditions, including the approval of responsible competition authorities. Assuming satisfaction of all such conditions, the transaction is expected to close during the third quarter of 2002.

In February 2002, Moody's lowered our long-term credit rating from Baa1 to Baa2, in May 2002 Standard & Poor's lowered long-term credit rating from BBB+ to BBB and in June 2002 Moody's further lowered our long-term credit rating from Baa2 to Baa3. For an explanation of the consequences of these downgrades, see "Risk Factors—our financial instruments contain rating triggers, financial ratios and covenants that may affect our access to and cost of funds."

In connection with our ongoing cost review, we determined that further cost reductions were needed, and we communicated additional cost reduction measures in our first quarter report for 2002. These measures target cost reductions of approximately SEK 20 billion on an annual basis (net of any costs estimated to be incurred by us in implementing such targeted reductions), when fully implemented by the end of 2003 and include the reduction of approximately 20,000 employees. The reduction of 14,000 of these employees will affect operating expenses, while the reduction of the remaining 6,000 will affect cost of sales. Substantially all of the SEK 20 billion in planned cost reductions have already been identified.

If we succeed in fully implementing these additional cost reduction measures, together with the cost reductions we expect to achieve through the Efficiency Program, we would expect total cost savings by the end of 2003 of approximately SEK 40 billion, as compared to our cost base at the beginning of 2001. However, as these additional measures will be implemented over time, and as there may be delays before we recognize the benefits from the measures adopted, we expect our actual costs to be reduced by SEK 28 billion in 2002, as compared to our cost base at the beginning of 2001, of which the Efficiency Program savings are estimated at SEK 20 billion and the additional cost reductions at SEK 8 billion. The additional cost reduction measures are expected to cost SEK 8.5 billion in 2002 and SEK 2.0 billion in 2003. Through March 31, 2002, no restructuring costs or cash outlays have been recognized related to this program.

The statements in this section, in particular in relation to the cost savings we expect to generate from our programs and other measures, are forward-looking statements and actual results may differ materially from those described above. See "Forward-looking Statements" and "Item 3D: Risk Factors—Risks Associated with our Business¾Failure to successfully implement our cost reduction measures may adversely affect our financial results" herein for a description of factors that may cause these statements not to materialize.

ITEM 9. THE OFFER AND LISTING

Item 9A: Offer and Listing Details

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 thousandth of a vote per share. Our Series A and Series B shares are traded on Stockholmsbörsen ("the 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 Zurich. In the United States, the B shares are traded on Nasdaq in the form of ADSs evidenced by American Depositary Shares (ADSs). Each ADS represents one B share.

The ADSs are issued by Citibank, N.A., New York, acting as Depositary, upon deposit of 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.

Annual high and low market prices

The table below states annual high and low prices of the A shares and B shares on Stockholmsbörsen and the ADSs on NASDAQ.

	Stockholmsbörsen				NASDAQ	
	SEK per A share		SEK per B share		USD per ADS	
Year	High	Low	High	Low	High	Low
1997	49.00	26.00	48.00	26.00	6.328	3.578
1998	56.00	34.00	67.00	30.00	8.500	3.750
1999	144.00	48.00	143.00	44.00	16.813	5.125
2000	235.00	105.00	231.00	101.00	26.310	10.375
2001	126.00	33.20	122.00	32.10	13.50	3.05

Quarterly high and low market prices

The table below states for each quarter of 2000, 2001 and the first quarter of 2002, high and low prices of the A shares and B shares on Stockholmsbörsen and the ADSs on NASDAQ.

	Stockholmsbörsen				NASDAQ	
	SEK per A share		SEK per B share		USD per ADS	
Quarter	High	Low	High	Low	High	Low
2000						
First	235.00	117.50	230.50	115.00	26.313	13.750
Second	211.00	167.00	210.00	162.00	23.375	17.000
Third....................	208.50	145.00	210.50	144.00	23.438	14.500
Fourth	160.00	105.00	159.50	101.00	16.266	10.375
2001						
First	126.00	58.00	122.00	54.50	13.500	5.000
Second	79.50	51.00	77.00	48.40	7.6	4.75
Third....................	64.00	33.20	62.00	32.10	5.75	3.05
Fourth	68.00	36.00	67.00	34.40	6.24	3.22
2002						
First	62.50	42.00	62.00	41.10	6.00	3.81
Second	44.00	14.90	42.70	13.50	4.19	1.44

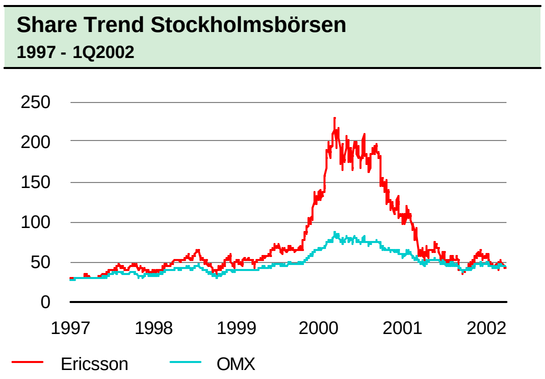
Monthly high and low market prices

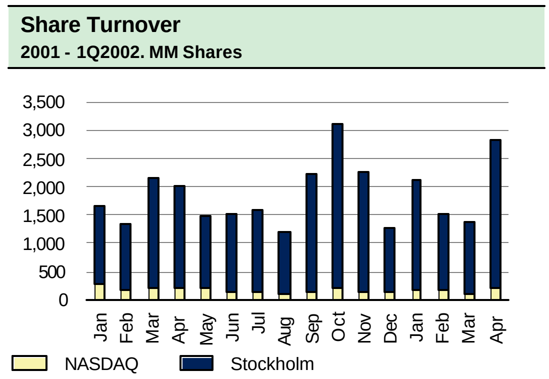
This table states high and low sales prices for the last six months.

	Stockholmsbörsen				NASDAQ	
	SEK per A share		SEK per B share		USD per ADS	
Month	High	Low	High	Low	High	Low
January 2002	62.50	44.00	62.00	42.50	6.00	3.97
February 2002...........	49.20	42.00	48.10	41.10	4.49	3.81
March 2002...............	52.00	43.50	51.00	41.80	4.93	4.07
April 2002	44.80	23.40	43.50	22.60	4.19	2.23
May 2002	27.50	22.70	26.40	21.40	2.64	2.18
June 2002	22.70	14.90	21.70	13.50	2.24	1.44

Share price trend

The total market value of our shares decreased by 46 percent in 2001 to approximately SEK 460 billion and by 23 percent in the first quarter of 2002 to approximately SEK 354 billion. The Stockholmsbörsen OMX index decreased by nearly 20 percent during 2001 and by 5.7 percent in the first quarter of 2002. The NASDAQ composite index decreased by 21 percent in 2001 and by 5.4 percent in the first quarter of 2002, and the NASDAQ telecom index decreased by 49 percent in 2001 and 26.6 percent in the first quarter of 2002. Our share value decreased by 53 percent on NASDAQ in 2001 and 21 percent in the first quarter of 2002. The difference as compared to the decrease on Stockholmsbörsen is mainly attributable to a strengthening of the U.S. dollar relative to the Swedish krona.





Item 9B: Plan of Distribution

Not applicable.

Item 9C: Markets

Our A and B shares are traded on Stockholmsbörsen under the tickers ERIC A and ERIC B. The trading lot comprises 200 shares. Our B shares are also traded on the exchanges in Düsseldorf, Frankfurt, Hamburg, London, Paris and in Zurich. Ericsson shares are also traded in the United States in the form of American Depository Shares (ADS) on NASDAQ, under the symbol ERICY. Each ADS represents one B share.

More than 36 billion B shares were traded in 2001. Of this number approximately 59 percent were traded on Stockholmsbörsen, 13.5 percent on NASDAQ and 26.5 percent on the London Stock Exchange. This is compared to 44 percent, 31 percent and 24 percent, respectively, in 2000. Trading on other exchanges amounted to approximately 1 percent of the total in 2001.

In connection with the proposed rights offering, it is our intention that B share rights be listed on Stockholmsbörsen under the symbol "ERIC TB" during the B share rights trading period. Furthermore, it is our intention that ADS rights be listed on NASDAQ under the symbol "ERIRY" during the ADS rights trading period.

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, as referred to in "—Certain Powers of Directors" below.

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

Share Capital Increases and Preferential Rights of Shareholders

Our shares are divided into three series: A shares, B shares and C shares; however, no C shares are currently outstanding. Under the Swedish Companies Act of 1975 (the "Swedish Companies Act"), shareholders must approve each issue of additional shares either by deciding on the share issue at a shareholders' meeting, or by a shareholders' approval of a decision on a share issue by the board, or by giving an authorization to the board to decide about a share issue. If we decide to issue new A shares and B shares by means of a cash issue, A and B shareholders (except for Ericsson and its subsidiaries, in the event they hold shares in Ericsson) 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. If we decide to issue by means of a cash issue new shares of only one series, all shareholders, regardless of whether their shares are series A or series B, are entitled to a preferential right to subscribe for new shares in proportion to the number of shares previously held by them. 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 six deputies. Directors shall be elected each year at the annual general meeting for the period up to and inclusive of the following annual general meeting. 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).

Certain Powers of Directors

The board of directors is ultimately responsible for the organization of the company and the management of the company's operations. The president is charged with the day-to-day management of the company in accordance with any guidelines and instructions provided by the board of directors. The president has 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.

According to the Swedish Companies Act, a member of the board of directors and the president may not take part in matters regarding agreements 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 general meeting of shareholders decides on compensation for the directors. Typically the general meeting decides on an aggregate amount which is to be distributed among the directors as determined by the board.

Dividends

Our A and B shareholders have the same rights to dividends.

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 in certain limited circumstances), and may only be paid from funds legally available for that purpose. 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 yet been adopted by the annual general meeting of shareholders. The market practice in Sweden is for dividends to be paid annually. Under the Swedish Companies Act, dividends to shareholders may not exceed an amount equal to (1) the amount reported in the adopted balance sheet and, in respect of parent companies which must prepare consolidated financial statements, the consolidated balance sheet for the most recent financial year, as the company's or group's net profits for the year, profit brought forward and non-restricted reserves less (2) the sum of losses brought forward; sums which, pursuant to law or the articles of association, shall be allocated to restricted shareholders' equity or in respect of parent companies, sums which, according to the annual reports for companies within the group, shall be transferred to restricted shareholders' equity from non-restricted shareholders' equity within the group; sums which, pursuant to the articles of association shall otherwise be utilized for purposes other than distribution to shareholders.

Dividends may not be declared to the extent that their payment would contradict generally accepted business practices in light of a company's capital structure, liquidity or financial position. The Company's shares are registered in the computerized book-entry share registration system administered by VPC. The rights attached to shares eligible for dividends accrue to those persons whose names are recorded in the register of shareholders on a particular day. The dividends are then sent to a specified account as directed by the person registered with VPC, or to the address of that person. The relevant record date must, in most circumstances, be specified in the resolution declaring a dividend or resolving upon a capital increase or any similar matter in which shareholders have preferential rights.

Where the registered holder is a nominee, the nominee receives, for the account of the beneficial owner, dividends and, on issues of shares with preferential rights for the shareholders, shares, as well as rights. Dividends are remitted in a single payment to the nominee who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is adopted for share issues. Specific authority to act as a nominee must be obtained from VPC. VPC is required to keep a register with regard to any holding on behalf of a single beneficial owner in excess of 500 shares in any one company. This list must reveal the names of the beneficial owner and must be open to public inspection.

Voting

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

We are required to publish notices to attend annual general meetings and extraordinary general meetings regarding changes in our articles of association no earlier than six weeks and no later than four weeks prior to the general meeting. Notices to attend other types of extraordinary general meetings must be published 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. Proxies are not valid for longer than a year from the date of issuance. Any shareholder wishing to attend a general meeting must notify us no later than 4:00 p.m. (Sweden time) on the day specified in the notice. We are required to accept all notifications of attendance at least five days prior to the meeting (not counting Sundays). 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 maintained by VPC no later than the designated record date.

Under the Swedish Companies Act, resolutions are passed by a simple majority of votes cast at the meeting with the chairman of the meeting having a decisive vote (except in respect of elections), unless otherwise required by law or a company's articles of association. Under the Swedish Companies Act, certain resolutions require special quorums and majorities, including, but not limited to, the following:

(i) a resolution to amend the articles of association requires a majority of two-thirds of the votes cast as well as two-thirds of shares present or represented at the meeting, except in those circumstances described in (ii) and (iv) below;

(ii) a resolution to amend the articles of association which reduces any shareholder's rights to profits or assets, restricts the transferability of shares or alters the legal relationship between shares, normally requires the unanimous approval of the shareholders present at the meeting and who hold nine-tenths of all outstanding shares;

(iii) a resolution to amend the articles of association for the purpose of limiting the number of shares with which a shareholder may vote at a general meeting or requiring the retention of a larger amount of the net profit than required by the Swedish Companies Act or amending shareholders' rights in a liquidation or dissolution, normally requires the approval of shareholders representing a two-thirds of the votes cast and nine-tenths of the shares present or represented at the meeting;

(iv) a resolution of the kind referred to under (ii) or (iii) above may, however, be taken with a lower supermajority requirement if the amendments referred to therein will only adversely affect specific shares or classes of shares. In such cases, the requirement under (i) above will apply together with the following separate supermajority: (a) where a class of shares is adversely affected, approval of the owners of one-half of all shares of such class and who hold nine-tenths of the shares of such class present or represented at the meeting, or (b) where the shares adversely affected do not constitute a class of shares, the unanimous approval of all such affected outstanding shares present at the meeting and who hold nine-tenths of all outstanding shares adversely affected;

(v) a resolution to issue, approve or authorize the issuance for cash of new shares or convertible debt instruments or debt instruments with the right to subscribe for new shares with a deviation from the preferential right for existing shareholders requires a two-thirds majority of votes cast at the meeting as well as two-thirds of the shares present or represented at the meeting;

(vi) a resolution to redeem any or all of the outstanding share capital requires a two-thirds majority of votes cast at the meeting as well as two-thirds of the shares present or represented at the meeting. Certain circumstances, however, require the unanimous approval of the shareholders present at the meeting, with nine-tenths of all outstanding shares present or represented at the meeting; and

(vii) a resolution to approve a merger requires a two-thirds majority of the votes cast at the meeting and two-thirds of the shares present or represented at the meeting.

At a general meeting of shareholders, a shareholder or proxy for one or more shareholders may cast full number of votes represented by the holder's shares.

Purchase of Own Shares

A public Swedish limited liability company whose shares are traded on a securities exchange, an authorized market place or another regulated market place is entitled to purchase its own shares under certain conditions. A purchase by us of our own shares may take place only if (a) the purchase has been decided upon by a general meeting of shareholders or the board has been authorized by a general meeting of shareholders by a two thirds majority of votes cast at the meeting as well as two-thirds of the shares present or represented at the meeting, (b) the purchase is effected on a securities exchange or in some other regulated market either in the EEA or outside the EEA (in the latter case with the approval of the Swedish Financial Supervisory Authority the "SFSA") or pursuant to another offer to all shareholders or holders of a specific class of shares, (c) the funds used in connection with such purchase could legally have been distributed as a dividend, and (d) we and our subsidiaries do not hold or, as a result of purchase, will not hold in excess of 10 percent of all our outstanding shares. As of March 28, 2002 we held an aggregate of 156,804,000 repurchased B shares.

Investment Restrictions

There are no limitations imposed by Swedish law or by our Articles of Association in respect of the rights of non-residents or foreign persons to purchase, own or sell securities issued by us.

As a general rule, Swedish securities may be freely sold to and owned by non-residents or foreign persons; however, on account of our defense-related contracts with the Swedish government and certain defense contractors, we are subject to defense industry 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. We are currently controlled by Swedish legal entities and persons and we must report any change, which could result in a change from Swedish control to foreign control. Further, our president and at least 50 percent of the members of our board of directors and their deputies must be Swedish citizens domiciled in Sweden. If we do not comply with the requirements under our licenses, the governmental authorities may reconsider our licenses or their terms. Furthermore, there are certain flagging and ownership examination rules that apply, irrespective of nationality.

Pursuant to recommendations concerning the disclosure of acquisition and transfer of shares issued by *Näringslivets Börskommitté* (the "Swedish Industry and Commerce Stock Exchange Committee"), any seller or purchaser of securities including shares of stock, convertible debt instruments, warrants, non-standardized options and futures of a Swedish company listed on Stockholmsbörsen, must report to Stockholmsbörsen and to the Company transactions in which the purchaser or seller acquires or disposes of 5 percent of any subsequent percentage that is a multiple of five, up to and including 90 percent of either the voting rights of all shares or the total number of shares in the Company. These changes in ownership should also be reported to an established news agency and to a nationally published newspaper in Sweden no later than 9:00 a.m. on the next day on which trading is conducted on Stockholmsbörsen. In addition, according to the Swedish Financial Instruments Trading Act, a natural person or legal person who acquires or disposes of shareholdings in a Swedish company that has its shares listed on a stock exchange situated or operating within one or more EEA countries and, as a result of such acquisition or disposition, holds voting rights equal to, in excess of or less than one of the thresholds of 10 percent, 20 percent, 33? percent, 50 percent or 66? percent, the person is required to notify the company in writing at the same time it notifies the stock exchange or, if the shares are not listed in Sweden, the SFSA within seven calendar days of the acquisition or disposition. In addition, the Act on Reporting Obligations Regarding Certain Holdings of Financial Instruments requires, among other things, that certain individuals who own shares representing 10 percent or more of the share capital or the voting rights in a publicly traded company to report such ownership to the SFSA which keeps a public register based on the information contained in such reports, and also to report any changes in such ownership.

If shares of a Swedish limited liability company are held in the name of a nominee, the nominee must issue a public report to VPC every six months, listing all beneficial holders of more than 500 of the shares.

Item 10C: Material Contracts

Effective October 1, 2001, we formed Sony Ericsson Mobile Communications AB as a 50/50 joint venture with Sony Corporation. Ericsson and Sony each contributed SEK 2.8 billion in cash to the capital of the joint venture. Pursuant to two Master Purchase Agreements, one relating to the transfer of the Ericsson handset business and one relating to the transfer of the Sony handset business, and related agreements, both partners sold substantially all of their respective handset businesses to the joint venture. We retained ownership of our intellectual property rights for mobile phone platform technology, which is licensed to the joint venture and other handset manufacturers.

Effective October 1, 2001, our 50 percent share of income before taxes in Sony Ericsson Mobile Communications is included in "Earnings from Joint Ventures and Associated Companies". Our share of the joint venture's taxes is included in "Taxes". The retained activities, including technology licensing and phone manufacturing in China, are reported as part of "Other operations".

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.

Item 10E: Taxation

General

The taxation discussion set forth below is intended only as a descriptive summary and does not purport to be a complete analysis or listing of all potential tax effects relevant to the acquisition, ownership of B shares, ADSs or convertible debentures. The statements of United States and Swedish tax laws set forth below are based on the laws in force as of the date of this 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 (the "Income Tax Treaty", occurring after that date, which changes may then have retroactive effect.

The summary below is intended to provide general information only. Specific tax provisions may apply for certain categories of tax payers. Your tax treatment if you are a holder of B shares, ADSs or convertible debentures depends in part on your particular situation. If you are a holder of B shares, ADSs or convertible debentures, you should therefore consult a tax advisor as to the tax consequences relating to your particular circumstances resulting from the ownership of B shares, ADSs, or convertible debentures.

The tax consequences to holders of ADSs, as discussed below, apply as well to holders of B shares.

Certain Swedish Tax Considerations

This section describes the material Swedish income and net wealth tax consequences if you are a holder of ADSs, B shares or convertible debentures who is not considered to be a Swedish resident for Swedish tax purposes. This section applies to you only if you are a holder of portfolio investments representing less than 10 percent of capital and votes and is not applicable if the ADSs, B shares or convertible debentures pertain to a permanent establishment or fixed base of business in Sweden.

Taxation on Capital Gains

Generally, non-residents of Sweden are not liable for Swedish capital gains taxation with respect to the sale of ADSs, B shares or convertible debentures. However, under Swedish tax law, capital gains from the sale of Swedish B shares and certain other securities by private individuals may be taxed in Sweden at a rate of 30 percent if they have been residents of Sweden or have lived permanently in Sweden at any time during the year of the sale or the 10 calendar years preceding the year of the sale (absent treaty provisions to the contrary). The provision is applicable on ADSs, B shares and convertible debentures.

This provision may, however, be limited by tax treaties that Sweden has concluded with other countries. Under the Income Tax Treaty, this provision is limited to ten years from the date the individual became a non-resident of Sweden.

Taxation on Dividends

A Swedish dividend withholding tax at a rate of 30 percent is imposed on dividends paid by a Swedish corporation, such as us, to non-residents of Sweden. The same withholding tax applies to certain other payments made by a Swedish corporation, including payments as a result of redemption of shares and repurchase of stock through an offer directed to its shareholders. Exemption from the withholding tax or a lower tax rate may apply by virtue of a tax treaty. Under the Income Tax Treaty, the withholding tax on dividends paid on portfolio investments to eligible U.S. holders is reduced to 15 percent.

Under all Swedish tax treaties, except the tax treaty with Switzerland, withholding tax at the applicable treaty rate should be withheld by the payer of the dividends. With regard to dividends paid from shares in corporations registered with the VPC (such as our shares), a reduced rate of dividend withholding tax under a tax treaty is generally applied at the source by the VPC or, if the shares are registered with a nominee, the nominee, so long as the person entitled to the dividend is registered as a non-resident and sufficient information regarding the tax residency of the beneficial owner is available to the VPC or the nominee.

In those cases where Swedish withholding tax is withheld at the rate of 30 percent and the person who received the dividends is entitled to a reduced rate of withholding tax under a tax treaty, a refund may be claimed from the Swedish tax authorities before the end of the fifth calendar year following the distribution.

Currently, the Swedish withholding tax provisions are under review. New or amended provisions may be introduced as a result of this review.

Taxation on Interest

No Swedish withholding tax is payable on interest paid to non-residents of Sweden.

Net Wealth Taxation

The ADSs, B shares and convertible debentures are not subject to Swedish net wealth taxation in the hands of a holder that is not resident in Sweden for tax purposes.

You should consult your own tax advisors regarding the Swedish and other tax consequences of your ownership of ADSs, B shares and convertible debentures.

Certain United States Federal Income Tax Consequences

The following discussion is a summary of the material United States federal income tax consequences relevant to the ownership and disposition of ADSs or B shares or convertible debentures. This discussion is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions) as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect. The discussion is not a full discussion of all tax considerations that may be relevant to the ownership and disposition of ADSs or B shares or convertible debentures. The discussion applies only if you will hold the ADSs and/or the B shares and/or convertible debentures as capital assets and you use the U.S. dollar as your functional currency. It does not deal with the tax treatment of investors subject to special rules, such as grantor trusts, real estate investment trusts, regulated investment companies, banks, brokers or dealers in securities, traders in securities or currencies that elect to use a mark-to-market method of recording for their securities holdings, financial institutions, insurance companies, tax-exempt entities, investors liable for alternative minimum tax, holders (either actually or constructively) of 10% or more of our B shares, persons holding ADSs and/or B shares or convertible debentures as part of a hedging, straddle, conversion or constructive sale transaction and persons who are resident or ordinarily resident in Sweden. In addition, investors holding ADSs and/or B shares and/or convertible debentures indirectly through partnerships are subject to special rules not discussed below. **You should consult your own tax advisers about the United States federal, state, local and foreign tax consequences to you of the ownership and disposition of the ADSs or B shares or convertible debentures.**

The discussion below applies to you only if you are a beneficial owner of ADSs and/or B shares and/or convertible debentures not resident in Sweden for purposes of the Income Tax Treaty and you are, for United States federal income tax purposes, (1) a citizen or resident of the United States, (2) a corporation or any other entity treated as a corporation that is organized in or under the laws of the United States or its political subdivisions, (3) a trust if all of the trust's substantial decisions are subject to the control of one or more United States persons and the primary supervision of the trust is subject to a United States court or if a valid election is in effect with respect to the trust to be taxed as a United States person, or (4) an estate the income of which is subject to United States federal income taxation regardless of its source.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with the terms. If you hold ADSs, you will be treated as the holder of the underlying B shares represented by those ADSs for United States federal income tax purposes.

Taxation of ADSs or B shares

Dividends

Subject to the passive foreign investment company rules discussed below, the gross amount of dividends paid (before reduction for any Swedish withholding taxes) with respect to the ADSs or B shares generally will be included in your gross income as ordinary income from foreign sources to the extent paid out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes). Distributions in excess of earnings and profits will be treated as a non-taxable return of capital to the extent of your adjusted tax basis in the ADSs or B shares and thereafter as capital gain. The dividends will not be eligible for the dividends received deduction available to corporations in respect of dividends received from other U.S. corporations. The amount of any dividend paid in Swedish krona will be the U.S. dollar value of the dividend payment based on the exchange rate in effect on the date of distribution, whether or not the payment is converted into U.S. dollars at that time. Your tax basis in the Swedish krona received will equal such U.S. dollar amount. Gain or loss, if any, recognized on a subsequent sale or conversion of the Swedish krona will be U.S. source ordinary income or loss.

Subject to certain limitations, you will generally be entitled to receive credit against your United States federal income tax liability (or a deduction against your United States federal taxable income) with respect to any Swedish tax withheld in accordance with the Income Tax Treaty and paid over to Sweden. If a refund of the tax withheld is available to you under the laws of Sweden or under the Income Tax Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against your United States federal income tax liability (and will not be eligible for the deduction against your United States federal taxable income). For foreign tax credit limitation purposes, the dividend will be income from sources without the United States, and generally will be treated as "passive income" (or, in the case of certain holders, "financial services income").

Sale or Exchange of ADSs or B shares

Subject to the passive foreign investment company rules discussed below, you generally will recognize capital gain or loss on the sale or other disposition of the ADSs or B shares equal to the difference between the U.S. dollar value of the amount realized and your adjusted tax basis (determined in U.S. dollars) in the ADSs or B shares. Such gain or loss will be capital gain or loss and will generally be treated as arising from U.S. sources for foreign tax credit limitation purposes.

The amount realized on a disposition of ADSs or B shares generally will be the amount of cash (which, in the case of payment in a non-U.S. currency, will equal the U.S. dollar value of the payment received determined on (i) the date of receipt of payment if you are a cash basis taxpayer and (ii) the date of disposition if you are an accrual basis taxpayer). If the ADSs or B shares are treated as traded on an "established securities market," if you are a cash basis taxpayer (or, if you are an accrual basis taxpayer, if you so elect) you will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

You will have a tax basis in any foreign currency received equal to the U.S. dollar amount realized. Any gain or loss you realize on a subsequent conversion of foreign currency will be U.S. source ordinary income or loss.

Taxation of convertible debentures

Interest Payments

In general, the gross amount of interest paid on convertible debentures will be included in your gross income as ordinary income from foreign sources. If you use the cash method of accounting for United States federal income tax purposes and receive a payment of interest in Swedish krona, you will be required to include in income the U.S. dollar value of the Swedish krona (determined on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at that time, and such U.S. dollar value will be the U.S. Holder's tax basis in such Swedish krona.

If you use the accrual method of accounting for United States federal income tax purposes, or are otherwise required to accrue interest prior to receipt, you will be required to include in income the U.S. dollar value of the amount of interest income (including market discount and reduced by amortizable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a debenture during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. You may elect, however, to translate such accrued interest income using the rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the rate of exchange on the last day of the taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, you may translate such interest using the rate of exchange on the date of receipt. The above election will apply to other obligations held by you and may not be changed without the consent of the U.S. Internal Revenue Service (the "IRS"). You will recognize exchange gain or loss (which will be treated as ordinary income or loss) with respect to accrued interest income on the date such income is received. The amount of ordinary income or loss recognized will equal the difference, if any, between the U.S. dollar value of the Swedish korna received (determined on the date such payment is received) in respect of such accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above).

Amortizable Bond Premium

Generally, if you purchase a debenture for an amount that is in excess of the sum of all amounts payable on the debenture after its acquisition date (other than payments of stated interest), you will be considered to have purchased the debenture with amortizable bond premium. You may elect to amortize such premium (or if it results in a smaller amortizable bond premium attributable to the period of earlier call date, with reference to the amount payable on earlier call date) using a constant yield method over the remaining term of the debenture and may offset interest income otherwise required to be included in respect of the debenture with respect to an accrual period by the bond premium allocable to the accrual period. If the bond premium allocable to the accrual period exceeds the interest allocable to the accrual period, you may deduct such excess amount to the extent of the amount by which your total interest inclusions on the debenture in prior accrual periods exceed the total amount treat by you as a bond premium deduction on the debenture in prior accrual periods. Any remainder would generally be carried over to subsequent periods. Any election to amortize bond premium with respect to any debenture (or other general debt obligations) applies to all taxable debt obligations held by you at the beginning of the first taxable year to which the election applies and to all debt obligations thereafter acquired in all subsequent tax years and may not be revoked without the consent of the IRS.

Market Discount

A debenture will be treated as purchased at a market discount if the amount for which you purchased the debenture is less than the debenture's stated redemption price at maturity, subject to certain "*de minimis*" rule.

Any gain recognized on the maturity or disposition of a debenture purchased at market discount will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on such debenture. Alternatively, you may elect to include market discount in income currently over the life of the debenture. Such election shall apply to all debt instruments with market discount acquired by you on or after the first day of the first year to which the election applies and may not be revoked without the consent of the IRS.

Purchase, Sale Exchange and Retirement

If you purchase a debenture with previously owned Swedish krona, you will recognize ordinary income or loss in an amount equal to the difference, if any, between your tax basis in the Swedish krona and the U.S. dollar fair market value of the Swedish krona used to purchase the detenture, determined on the date of purchase.

Generally, upon the sale, exchange or retirement of a debenture, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and your adjusted tax basis in the debenture. Subject to the passive foreign investment company rules discussed below, such gain or loss generally will be capital gain or loss (except to the extent of any accrued market discount not previously included in your income) and will be long-term capital gain or loss if at the time of sale, exchange or retirement the debenture has been held by you for more than one year. To the extent the amount realized represents accrued but unpaid interest, however, such amounts must be taken into account as interest income. If you receive Swedish krona on such a sale, exchange or retirement, the amount realized will be based on the U.S. dollar value of the Swedish krona on the date the payment is received or the debenture is disposed of (or deemed disposed of). Your adjusted tax basis in a debenture will equal the cost of such debenture, increased by the amounts of any market discount previously included in income by you with respect to such debenture and reduced by any amortized acquisition or other premium and any principal payments received by you (in each case generally determined based on the U.S. dollar value of Swedish krona on the date of such purchase or adjustment).

Gain or loss realized upon the sale, exchange or retirement of a debenture that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between the U.S. dollar value of the Swedish krona principal amount of the debenture, determined on the date such payment is received or such debenture is disposed of, and the U.S. dollar value of the Swedish korna principal amount, determined on the date you acquired such debenture. Such foreign currency gain or loss will be recognized only to the extent of the total gain or loss realized by you on the sale, exchange or retirement of the debenture.

Conversion

The conversion of convertible debentures will not be a taxable transaction for United States federal income tax purposes except to the extent of any cash or other consideration received for fractional shares or accrued interest. Upon conversion, your basis in B shares or ADSs received will equal the basis of the convertible debentures and the holding period of B shares or ADSs received will include the holding period of the convertible debentures.

Under certain circumstances, adjustment in the conversion ratio or the lack thereof may cause a deemed distribution to you. You should consult your own tax advisors regarding any such deemed distribution.

Passive Foreign Investment Company Status

A non-U.S. corporation is a passive foreign investment company (a "PFIC") in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75 per cent of its gross income is passive income or (ii) at least 50 per cent of the quarterly average value of its assets is attributable to assets that produce or are held to produce passive income. Based on the composition of our assets and income and our operations, we believe we are not currently a PFIC. However, whether or not we will be considered a PFIC will depend on the nature and source of our income and the value of our assets, as determined from time to time. If we are treated as a PFIC, we will not provide information necessary for the "qualified electing fund" election as the term is defined in the relative provisions of the Code. You should consult your own tax advisors about the consequences of our classification as a PFIC.

If we were a PFIC, for any taxable year in which you held ADSs or B shares, you would be subject to special rules with respect to:

(i) any gain realized on the sale or other disposition of ADSs or B shares; and

(ii) any "excess distribution" made to you (generally, any distributions to you in respect of ADSs or B shares during a single taxable year that are greater than 125 percent of the average annual distributions received by you in respect of ADSs or B shares during the three preceding taxable years or, if shorter, your holding period for ADSs or B shares).

Under these rules:

(i) the gain or excess distribution would be allocated ratably over your holding period for ADSs or B shares;

(ii) the amount allocated to the taxable year in which the gain or excess distribution was realized and any year before we became a PFIC would be taxable as ordinary income;

(iii) the amount allocated to each prior year, other than the current year and any taxable year prior to the first taxable year in which we were a PFIC, would be subject to tax at the highest applicable marginal tax rate in effect for each such year; and

(iv) an interest charge would be imposed to cover the deemed benefit for the deferred payment of the tax attributable to each year prior to the taxable year.

As an alternative to the special rules described above, holders of "marketable stock" in a PFIC may elect mark-to-market treatment with respect to their ADSs or B shares. ADSs or B shares will not be considered marketable stock unless the B shares are regularly traded on a qualified exchange or other market. If the mark-to-market election is available and you elect mark-to-market treatment you will, in general, include as ordinary income each year an amount equal to the increase in value of your ADSs or B shares for that year (measured at the close of your taxable year) and will generally be allowed a deduction for any decrease in the value of your B shares for the year, but only to the extent of previously included mark-to-market income.

If you own ADSs or B shares during any year in which we are a PFIC, you are required to make an annual return on IRS Form 8621 regarding distributions received with respect to B shares and any gain realized on the disposition of your ADSs or B shares.

Under certain constructive ownership rules, convertible debentures may be treated as B shares for purposes of applying the PFIC rules. Holders of convertible debentures are strongly urged to consult their own advisors in this regard.

Information reporting and backup withholding

In general, information reporting requirements may apply to dividends paid in respect of ADSs or B shares or the proceeds received on the sale or exchange of the ADSs or B shares within the United States or by a broker with certain United States connections. Backup withholding, currently at a rate of 30% for 2002-2003, 29% in 2004-2005, 28% in 2006-2010, and 31% thereafter, may apply to payments to you of dividends or the proceeds of a sale or other disposition of ADSs or B shares if you fail to provide an accurate taxpayer identification number (certified on IRS Form W-9) or, upon request, to certify that you are not subject to backup withholding, or otherwise to comply with the applicable requirements of backup withholding. The amount of any backup withholding from a payment to you will be allowed as a credit against your United States federal income tax liability and a refund of any excess amount withheld under the backup withholding rules may be obtained by filing the appropriate claim for refund with the IRS and furnishing any required information.

Item 10F: Dividends and Paying Agents

Not applicable.

Item 10G: Statement by Experts

Not applicable.

Item 10H: Documents on Display

We file annual reports and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any of these reports at the SEC's public reference facilities at 450 Fifth Street, N.W., Washington D.C. 20549 or obtain them by mail upon payment of prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information. Copies may also be obtained from the SEC website at http://www.sec.gov. Information about Ericsson is also available on the web at http://www.ericsson.com. Information included in our website does not form part of this document.

Item 10I: Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Treasury and Financial Risk Management

Our board of directors has approved a financial policy regulating the management of financial risks. The Finance Committee of our board is responsible for the continuous monitoring of our financial risk exposure and for approving certain matters regarding investments, loans, guarantees and customer financing commitments. Internally, the Corporate Treasury and Corporate Customer Finance functions manage financial risks and the group's financial assets and liabilities to ensure that the group has sufficient financing in place through loans and committed credit arrangements and issue policies in this regard to consolidated companies. We have established treasury centers in Stockholm, Dublin, Singapore and Dallas (collectively known as Ericsson Treasury Services) for cash management and handling of hedging activities.

The Treasury organization's principal role is to manage and control financial exposures in a manner consistent with underlying business risks. The major part of the risks assumed by Ericsson Treasury Services is hedged in financial markets, but Ericsson Treasury Services may also take positions in the financial market within the framework of the policy established by the board of directors. The risk mandate, which amounts to SEK 200 million, is based on a five percent change in each open foreign exchange position and a one percentage point in interest rates and complemented by a Value at Risk calculation.

Financial Instruments

Our use of financial instruments stems from a need to hedge financial exposures arising from business operations, finance business operations and manage liquidity. The primary types of external derivative instruments we use are currency swaps and interest rate swaps. The use of other derivatives is relatively small. Derivatives are generally used to reduce earnings volatility and to protect earnings from fluctuations in the financial markets.

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; and
- Other investments in foreign currencies.

Derivative instruments:

- Currency swaps;
- Interest-rate swaps;
- Other instruments, used on occasion, are foreign exchange forward contracts, currency options, forward rate agreements (FRA), interest rate options, interest rate futures, cross currency interest rate swaps.

We classify financial risks as either market risk, credit risk, country risk or funding and liquidity risks.

Market risk

Market risk is divided into three categories: foreign exchange risk, interest rate risk and risk related to our share price.

Foreign exchange risk management

We report in Swedish kronor and currently conduct business 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.

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 Swedish 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.

Economic exposure

We are dependent on the development of exchange rates in Swedish kronor and on economic conditions in Sweden. As of December 31, 2001, approximately 44 percent of all employees and 74 percent of total own production employees were located in Sweden, while Sweden accounted for only three percent of total sales in 2001. With this substantial SEK denominated cost base, a gradually weaker SEK exchange rate during 2001 had a positive impact on us, compared to our competitors with costs denominated in EUR or USD. Normally, we do not hedge economic exposure.

Transaction exposure

An analysis of net transaction exposures for 2001 by currency, excluding the Phones operations transferred to Sony Ericsson, shows net revenue exposures in U.S. Dollars (USD), Euros (EUR), Chinese Renminbi (CNY), Japanese Yen (JPY) and British pounds sterling (GBP). A +/-10 percent change in exchange rates between Swedish kronor and the currencies with the largest net exposures would have had the following effects (in SEK billions) on income before taxes in 2001 before any hedging effects are considered: USD +/-1.9, EUR +/-1.2, CNY +/-1.0, GBP +/-0.4, JPY +/-0.8. Both committed and forecasted transaction exposures are hedged to safeguard business margins. The effective hedging period is approximately 9-12 months.

As of December 31, 2001, anticipated net transaction exposures in USD, JPY, GBP and EUR were hedged for the next 9-12 months, giving us time to react to changes in foreign currencies by changing prices or renegotiating contracts with customers and vendors. Unrealized currency forwards carried a negative market value of SEK 2 billion. Due to a weaker SEK exchange rate during 2001, an unhedged position would have increased earnings by approximately SEK 2 billion, calculated by comparing the average hedged rates on our hedge contract portfolio as of January 1, 2001, with the actual average spot rates during 2001.

The table below sets forth the net risk in currency derivatives:

		Net risk in currency derivatives	
Type of Instrument	**As of December 31, 2000**	**As of December 31, 2001**	**As of March 31, 2002**
		(in SEK billions)	
Internal Currency Forward Contracts	4.96	3.96	3.45
Net Risk in External Currency Derivatives	2.70	2.94	2.55

In the table above, net risk in currency derivatives is expressed as the effect of a five percent change in exchange rates between Swedish kronor and all other currencies. The table reflects both the risk in the internal net forwards positions handled by our internal bank, as well as the total external net risk in currency derivatives. Offsetting items in the balance sheet, future commitments and forecasted flows are not included. Our only entity allowed to have speculative positions is our internal bank which has a total foreign exchange and interest rate risk limit of SEK 200 million. As of December 31, 2001 and March 31, 2002, the speculative position amounted to SEK 151 million and SEK 68 million respectively.

Translation exposure

We have many subsidiaries operating outside Sweden. These foreign investments are exposed to exchange rate fluctuations. Translation exposure in foreign subsidiaries is hedged according to the following policy established by our board of directors:

- 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 up to 20 percent in the selected companies. The translation differences reported in equity during 2001 were positive SEK 2.1 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 net interest rate exposure by using derivative instruments, such as forward rate agreements, interest rate swaps and futures. The established policy is to create a net position where all interest rates are floating.

The table below sets forth the net risk in interest rate derivatives:

Net risk in interest derivatives

	As of December 31, 2000	As of December 31, 2001	As of March 31, 2002
		(in SEK millions)	
Type of Instrument			
Forward Rate Agreements and Interest Rate Forwards ..	96.8	354.1	17.5
Interest Rate Swaps..	159.1	1,381.2	1,251.1
Interest Rate Futures	48.9	22.1	11.5
Net Risk	304.7	1,725.8	1,222.4

In the table above, net risk in external interest rate derivatives is expressed as the effect of a change of one percentage point in interest rates. The table describes the net risk in external derivatives only, hence offsetting items in the balance sheet, future commitments and forecasted flows are not included. Our only entity allowed to have speculative positions is our internal bank, which has a total foreign exchange and interest rate risk limit of SEK 200 million. The calculation takes netting effects into account; the total net risk is therefore not the sum of the individual amounts. As of December 31, 2001, and March 31, 2002, the speculative position amounted to SEK 151 million and SEK 68 million respectively.

During 2001, obligations due under interest bearing liabilities were primarily funded by the proceeds of short-term interest bearing assets.

Interest bearing financial assets and liabilities

Assets - SEK 88.9 billion	**As of December 31, 2001**
Long-Term..	12.7%
Short-Term	87.3%
Total	100.0%

Liabilities - SEK 89.9 billion	**As of December 31, 2001**
Long-Term..	64.2%
Short-Term	24.6%
Pensions..	11.2%
Total	100.0%

As of December 31, 2001, 95.8 percent of our interest-bearing liabilities, and all of our interest-bearing assets, have floating interest rates. As of March 31, 2002, the corresponding percentages were 95.5 percent and 100 percent, respectively.

Risk Related to our Share Price

We are exposed to risks relating to fluctuations in our own share price through stock option and stock purchase plans for employees. The obligation to deliver shares under these plans is covered by holding B shares and warrants for issuance of new B shares. An increase in the share price will result in social security charges, which represents a risk to both our income statement and cash flow. For some of the option programs, the income statement exposure is hedged through the purchase of call options. The cash flow exposure is fully hedged through the holding of B shares and through the purchase of call options on B shares.

Credit risk

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

Customer financing risk management

Our credit approval process requires that the Finance Committee of the board of directors approve all commitments in excess of USD 25 million to extend financing support to customers.

We work actively with our customers to structure financing of new projects. In most cases our role is to bridge the short-term funding gap until medium and long-term external financing can be put in place. The loans or guarantees are typically replaced by alternative arrangements without our involvement within one or two years. Prior to extending direct or indirect financial support to a customer, we conduct an independent and thorough risk assessment and credit approval process. We assess both political and commercial risk based on models which we use to monitor a customer's risk profile during the course of the relationship.

Our objective is to find suitable third-party financing solutions and to minimize recourse to us. Our Corporate Customer Financing function operates in all market areas to support the business in the early stages of negotiations. To the extent customer loans are not immediately transferred to banks, the consolidated company, Ericsson Credit AB, manages the bulk of remaining outstanding vendor loan exposures. Any recourse to us for credit risk relating to third party financing is reported as contingent liabilities. The exposure from outstanding vendor loans and credit commitments are managed centrally by the Corporate Customer Financing function.

Due to new Swedish accounting principles effective as of January 1, 2002, the associated finance companies are now consolidated as subsidiaries and the historical consolidated accounts have been restated, and previous off-balance sheet exposure of SEK 5.1 billion is consolidated in our balance sheet, and contingent liabilities reduced correspondingly.

As of December 31, 2001, total gross outstanding exposures amounted to SEK 26.8 billion, of which SEK 14.0 billion were on-balance sheet, while the remainder were contingent liability off-balance sheet items. 41 percent of the total outstanding credits relate to loans originated by third party lenders. This reflects the efforts made to reduce on balance sheet credits and improve cash flow.

The level of our total credit risk relating to our customer financing arrangements increased during 2001. However, we are continuing to transfer risk to the financial markets. In December 2001, we placed a portfolio of vendor credits valued at SEK 16.1 billion in the financial markets. As of March 31, 2002, the remaining commitment amount available under these facility arrangements was SEK 7.4 billion., which will be funded upon utilization by the customer. Since a part of these portfolio commitments by third parties also includes further transfer of risk, the portfolio both improves our risk profile and reduces future cash outflow.

In the year ended December 31, 2001, we wrote off customer loans of SEK 768 million. No losses were made in years 1999 and 2000. Some credits have been restructured following default. We make risk provisions for all outstanding on and off balance sheet credits. The level of provision is determined for each credit based on an assessment of the risk exposure, reflecting political as well as commercial considerations. These provisions for all credits and financial guarantees are reviewed on a quarterly basis. See "—Critical Accounting Policies—Valuation of Receivables and Exposures Related to Customer Financing". We expect that the necessary funding for our customer financing commitments will be financed mainly through cash flow from operations as well as through the placement of portfolios of customer credits in the financial markets.

Financial credit risk management

Financial instruments carry an element of risk in that counterparties may be unable to fulfill their obligations.

Ericsson Treasury Services limits these risks 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 2001.

External Investments Through Ericsson Treasury Services

	As of December 31,		
	1999	2000	2001
	(in SEK billions)		
Security			
Treasury Bills	7.0	13.2	19.3
Cash, Bank Deposits	5.7	5.6	11.7
Commercial Paper	2.1	1.9	11.1
Floating Rate Notes	0.0	1.1	1.9
Mortgage CP	0.0	0.5	0.0
Corporate Bonds	0.8	0.3	1.0
Treasury Bonds	2.1	0.2	2.9
Mortgage Bonds	0.1	0.2	0.2
Total	17.8	23.0	48.1

Ericsson Treasury Services' exposure in derivative instruments is, for operational purposes, 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.

Operational credit risk management

2001 was characterized by successful efforts to reduce outstanding accounts receivable in order to minimize credit risk and reduce working capital. Action has been taken to further improve the management and collection process of receivables.

Country risk

Country risk measures Swedish companies' risk in relation to all foreign receivables and guarantees, equity investments in foreign subsidiaries and associated companies plus retained earnings and lending from the internal bank by foreign subsidiaries. The country risk measures risk on a gross basis and cannot be compared with consolidated balance sheet items.

Total risk by geographical area

	As of December 31, 1999	As of December 31, 2000	As of December 31, 2001	As of March 31, 2002
	SEK 120 billion	SEK 153 billion	SEK 139 billion	SEK 125 billion
Geographical Area				
Europe, Middle East & Africa	52	51	45	43
North America	17	18	18	17
Latin America	18	18	22	27
Asia Pacific	13	13	15	13
Total	100%	100%	100%	100%

Funding and Liquidity risk

We maintain sufficient liquidity through cash management, investments in highly liquid fixed income securities, and by having sufficient committed and uncommitted credit lines in place for potential funding needs.

We define liquidity as cash and short-term investments up to 12 months. During 2001 liquidity increased by SEK 33.2 billion to SEK 68.9 billion and net liquidity, after deduction of short-term interest bearing financial liabilities, increased by SEK 29.2 billion to SEK 43.2 billion. Liquidity and net liquidity decreased in the quarter ended March 31, 2002 by SEK 13.0 billion and SEK 6.5 billion respectively and ended up at SEK 55.9 billion and SEK 36.7 billion respectively. During 2001 funding programs and long-term committed credit facilities were significantly increased; the Euro Medium Term Note program by USD 2.5 billion, the U.S. commercial paper program by USD 500 million and the Euro commercial paper program by USD 800 million. Euro Medium Term Note program and commercial paper programs are facilities issuing securities in the debt capital and money markets subject to market conditions and do not represent committed credit facilities. Long-term committed credit facilities were increased by USD 600 million in 2001. During the quarter ended March 31, 2002, there was no change made to the funding programs or the long-term committed credit facilities. In June 2002, we amended our USD 600 million long-term credit facility to eliminate certain financial covenants linked to our credit rating and to include certain other financial covenants.

Funding programs and long-term committed credit facilities available and utilized

	As of December 31, 2001		
Programs/Facility	**Amount**	**Utilized**	**Available**
		(SEK million)	
Euro Medium Term Note program (USD 5,000m)	53,141	46,139	7,002
US Commercial Paper program (USD 1,000m)(1)	10,628	0	10,628
Euro Commercial Paper program (USD 1,500m)(1)	15,942	0	15,942
Swedish Commercial Paper program (SEK 5,000m)(1)	5,000	0	5,000
Long-term Committed Credit Facilities (USD 1,600m)(2)	17,005	0	17,005
Total year-end 2001	101,716	46,139	55,577
Total year-end 2000	49,646	23,630	26,016

	As of March 31, 2002		
Programs/Facility	**Amount**	**Utilized**	**Available**
		(SEK million)	
Euro Medium Term Note program (USD 5,000m)	51,801	42,692	9,109
US Commercial Paper program (USD 1,000m) (1)	10,360	311	10,049
Euro Commercial Paper program (USD 1,500m) (1)	15,540	0	15,540
Swedish Commercial Paper program (SEK 5,000m) (1)	5,000	0	5,000
Long-Term Committed Credit Facilities (USD 1,600m) (2)	16,576	0	16,576
Total March 31, 2002	99,277	43,003	56,274

(1) Available amounts reflect term of facilities. Our access to commercial paper markets may be effectively limited due to rating levels and market conditions.
(2) USD 600 million (SEK 6 billion) of long-term committed credit facilities and two issuances of notes of EUR 2 billion and GBP 226 million (SEK 21.7 billion) issued under our Euro Medium Term Note program are subject to conditions linked to our credit rating.

Our objective is to have a payment readiness of between 7 percent and 10 percent of sales to adapt to changes in liquidity requirements. Payment readiness is an internal measure defined as cash and short-term investments less short-term borrowings plus long-term unused credit facilities. During periods of increased uncertainty, the payment readiness target may be significantly higher. As of December 31, 2001, payment readiness increased to 28 percent of net sales from 11 percent at year-end 2000. The increase was a primarily due to issuance of long-term debt and by increasing long-term committed credit facilities during the year, but lower net sales had also a positive effect on payment readiness. Bond issues and bank loans increased long-term borrowings during the year by SEK 26.7 billion. Payment readiness, as of March 31, 2002, was 36 percent of annualized net sales, primarily reflecting lower net sales. Because payment readiness includes undrawn committed facilities, our failure to meet borrowing conditions under any such facility will reduce payment readiness.

To support the 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.

During 2001 Moody's and Standard & Poor's lowered their long-term ratings from Al/A+ to Baal/BBB+, and their short-term ratings from P-1/A-1 to P-2/A-2. The outlook remained negative with both agencies. In February 2002, Moody's lowered our long-term rating to from Baa1 to Baa2. The negative outlook remained unchanged. In April, 2002, both agencies placed us on their respective watchlists, indicating the possibility of further downgrades. In May 2002, Standard & Poor's lowered our corporate credit rating from BBB+ to BBB and our short-term credit rating from A-2 to A-3. The negative outlook remained unchanged. In June 2002, Moody's further lowered our long-term rating from Baa2 to Baa3 and our short-term rating from P-2 to P-3. We remain on Moody's watchlist, indicating the possibility of further downgrades. Our ratings as of the date of this report are set forth below:

Ratings

Rating Agency	**Long-Term**	**Short-Term**
Moody's	Baa3	P-3
Standard & Poor's	BBB	A-3

A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

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

The following financial statements are filed as part of this Annual Report on Form 20-F:

ITEM 18. FINANCIAL STATEMENTS

We have responded to “Item 17: Financial Statements” in lieu of responding to this Item.

ITEM 19. EXHIBITS

Exhibit Number	Description of Exhibit
1	Translation of the Articles of Association.*
4.1	Core DCP Master Purchase Agreement, dated as of August 28, 2001, entered into by and between Telefonaktiebolaget Ericsson and Sony Ericsson Mobile Communications AB.*
4.2	DNTC Master Purchase Agreement, dated as of August 28, 2001, entered into by and between Sony Corporation and Sony Ericsson Mobile Communications AB.*
6	Calculation of Earnings per share: Please see Item 17, Accounting principles and notes to the financial statements.
8	List of the Company’s subsidiaries. Please see Item 17, note 9.
10.1	Consent of PricewaterhouseCoopers AB, Stockholm, Sweden, authorized public accountants.

* Previously filed

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Telefonaktiebolaget LM Ericsson (publ)

In our opinion, the accompanying consolidated and parent company balance sheets and the related consolidated and parent company income statements and statements of cash flows present fairly, in all material respects, the financial position of Telefonaktiebolaget LM Ericsson (publ) and its subsidiaries at December 31, 1999, 2000 and 2001 and the results of their operations and their changes in cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in Sweden. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of these statements in accordance with auditing standards generally accepted in Sweden and the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in the Accounting Principles note to the financial statements, the Company retroactively adopted RR01:00, "Consolidated Financial Statements".

Accounting principles generally accepted in Sweden vary in certain important respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of consolidated net income (loss) expressed in Swedish Kronor for each of the three years in the period ended December 31, 2001 and the determination of consolidated stockholders' equity and consolidated financial position also expressed in Swedish Kronor at December 31, 1999, 2000 and 2001 to the extent summarized in Note 24 to the consolidated financial statements.

PricewaterhouseCoopers AB

Stockholm, Sweden
May 12, 2002

CONSOLIDATED INCOME STATEMENTS
(in SEK millions except per share data)

	Notes	1999	2000	2001
		Year ended December 31,		
Net sales	1	215,403	273,569	231,839
Cost of sales		(125,881)	(180,392)	(173,900)
Gross margin		89,522	93,177	57,939
Research and development and other technical expenses		(33,123)	(41,921)	(46,640)
Selling expenses		(31,473)	(35,197)	(32,352)
Administrative expenses		(10,078)	(13,311)	(14,010)
Other operating revenues	2	2,531	27,983	8,398
Share in earnings of joint ventures and associated companies	8	90	97	(715)
Operating income*		17,469	30,828	(27,380)
Financial income	3	2,605	3,698	4,815
Financial expenses	3	(3,162)	(4,887)	(6,589)
Income after financial items		16,912	29,639	(29,154)
Minority interest in income before taxes		(526)	(947)	(1,155)
Income before taxes*		16,386	28,692	(30,309)
Taxes				
Income taxes for the year	4	(4,358)	(7,998)	8,813
Minority interest in taxes		102	324	232
Net income		12,130	21,018	(21,264)
Earnings per share, basic, SEK	5	1.55	2.67	(2.69)
Earnings per share, diluted, SEK	5	1.54	2.65	(2.69)
***Of which items affecting comparability**				
Non-operational capital gains/losses, net		(328)	5,933	347
Capital gain, Juniper		-	15,383	5,453
Pension refund		-	1,100	-
Restructuring costs		-	(8,000)	(15,000)
Total		(328)	14,416	(9,200)
Adjusted operating income		17,797	16,412	(18,180)
Adjusted income before taxes		16,714	14,276	(21,109)
Capital gains/losses, net of minority, included in income before taxes		1,843	25,229	5,979
Operational gains/losses		2,171	19,296	5,632
Non-operational gains/losses		(328)	5,933	347

CONSOLIDATED BALANCE SHEETS
(in SEK millions)

	Notes	As of December 31, 1999	2000	2001
Assets				
Fixed assets				
Intangible assets	6	10,548	12,833	13,066
Tangible assets	7, 23, 25	24,974	23,104	16,641
Financial assets:	8			
Equity in joint ventures and associated companies		1,219	1,282	3,135
Other investments		1,824	2,557	3,101
Long-term customer financing		10,561	13,583	7,933
Other long-term financial assets		5,859	6,767	16,571
		54,985	60,126	60,447
Current assets				
Inventories	10	25,701	43,933	24,910
Receivables:				
Accounts receivable – trade	11	65,862	77,209	57,236
Short-term customer financing		4,640	4,541	6,833
Other receivables	13	30,255	41,702	39,171
Short-term cash investments		13,854	18,902	36,046
Cash and bank		16,115	16,869	32,878
		156,427	203,156	197,074
Total assets		211,412	263,282	257,521
Stockholders' equity, provisions and liabilities				
Stockholders' equity	14			
Capital stock		4,893	7,910	8,066
Reserves not available for distribution		32,618	32,600	29,593
Restricted equity		37,511	40,510	37,659
Retained earnings		19,535	30,158	52,192
Net income		12,130	21,018	(21,264)
Non-restricted equity		31,665	51,176	30,928
		69,176	91,686	68,587
Minority interest in consolidated subsidiaries		2,316	2,901	3,653
Provisions	16	21,898	26,740	32,935
Long-term liabilities	17, 20			
Notes and bond loans		17,486	15,884	41,656
Convertible debentures		5,453	4,347	4,437
Liabilities to financial institutions		6,966	7,957	7,906
Other long-term liabilities		833	744	887
		30,738	28,932	54,886
Current liabilities				
Current maturities of long-term debt		1,491	3,188	3,622
Current liabilities to financial institutions	18	12,616	18,516	22,068
Advances from customers		6,704	6,847	4,803
Accounts payable – trade		21,481	30,200	19,511
Income tax liabilities		2,417	5,080	1,856
Other current liabilities	19	42,575	49,192	45,600
		87,284	113,023	97,460
Total stockholders' equity, provisions and liabilities[1]		211,412	263,282	257,521
[1] Of which interest-bearing provisions and liabilities 89,879 (2000 – SEK 59,427, 1999 – SEK 52,901), current portion 25,690 (2000 – SEK 21,704, 1999 – SEK 14,107)				
Assets pledged as collateral	20	6,895	9,860	10,857
Contingent liabilities	21	7,140	7,614	12,299

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in SEK millions)

	Notes	Year ended December 31, 1999	2000	2001
Operations	22			
Net income		12,130	21,018	(21,264)
Adjustments to reconcile net income to cash				
Minority interest in net income		404	629	943
Undistributed earnings of associated companies		49	(55)	781
Depreciation and amortization		7,415	11,020	7,828
Capital gains on sale of fixed assets		(1,399)	(25,278)	(6,126)
Taxes		(884)	1,873	(16,983)
Changes in operating net assets				
Inventories		714	(18,305)	20,103
Customer financing, short-term and long-term		(1,060)	(2,752)	3,903
Accounts receivable - trade		(10,214)	(10,404)	19,653
Other operating assets, provisions and liabilities, net		2,993	8,135	(7,420)
Cash flow from operating activities		10,148	(14,119)	1,418
Investments				
Investments in tangible assets		(9,227)	(12,643)	(8,726)
Sales of tangible assets	22	709	6,415	10,155
Acquisitions/sales of other investments, net	22	(4,768)	22,643	5,393
Net change in capital contributed by minority		136	13	(83)
Other		(2,383)	(1,959)	(1,488)
Cash flow from investing activities		(15,533)	14,469	5,251
Cash flow before financing activities		(5,385)	350	6,669
Financing	22			
Changes in current liabilities to financial institutions, net		4,231	4,929	3,343
Issue of convertible debentures		58	1,048	-
Proceeds from issuance of other long-term debt		21,122	5,206	35,169
Repayment of long-term debt		(4,129)	(3,622)	(8,470)
Stock issue		-	-	155
Gain on sale of own stock options and convertible debentures		-	2,018	-
Repurchase of own stock		-	(386)	(156)
Dividends paid		(4,010)	(4,179)	(4,295)
Cash flow from financing activities		17,272	5,014	25,746
Effect of exchange rate changes on cash		(336)	438	738
Net change in cash		11,551	5,802	33,153
Cash and cash equivalents, beginning of period		18,418	29,969	35,771
Cash and cash equivalents, end of period		29,969	35,771	68,924

PARENT COMPANY INCOME STATEMENTS
(in SEK millions)

	Notes	Year ended December 31, 1999	2000	2001
Net sales	1	15,375	1,195	1,374
Cost of sales		(10,944)	(1,669)	(1,547)
Gross margin		4,431	(474)	(173)
Research and development and other technical expenses		(5,386)	(166)	(70)
Selling expenses		(4,116)	(1,581)	(3,446)
Administrative expenses		(2,580)	(1,142)	(1,386)
Other operating revenues	2	3,155	3,061	3,066
Operating income		(4,496)	(302)	(2,009)
Financial income	3	9,915	12,352	19,224
Financial expenses	3	(2,202)	(3,090)	(23,645)
Income after financial items		3,217	8,960	(6,430)
Appropriations to (-)/transfers from untaxed reserves				
Changes in depreciation in excess of plan	15	371	74	4
Changes in other untaxed reserves	15	(2,691)	70	1,172
		(2,320)	144	1,176
Contributions from subsidiaries, net		5,292	700	115
Income before taxes		6,189	9,804	(5,139)
Income taxes for the year	4	(623)	(671)	(219)
Deferred income taxes	4	-	(113)	612
Net income		5,566	9,020	(4,746)

PARENT COMPANY BALANCE SHEETS
(in SEK millions)

	Notes	As of December 31, 2000	2001
Assets			
Fixed assets			
Intangible assets	6	33	111
Tangible assets	7, 25	96	61
Financial assets:			
Investments:			
Subsidiaries	8, 9	35,353	44,483
Joint ventures and associated companies	8, 9	1,008	3,725
Other investments	8	84	54
Receivables from subsidiaries	12	22,682	29,673
Long-term customer financing	8	6,320	1,894
Other long-term financial assets	8	1,918	2,919
		67,494	82,920
Current assets			
Inventories	10	3	2
Receivables:			
Accounts receivable – trade	11	102	805
Short-term customer financing		629	2,197
Receivables from subsidiaries	12	35,757	54,495
Other receivables	13	10,117	10,237
Short-term cash investments		17,361	36,399
Cash and bank		8,501	12,616
		72,470	116,751
Total assets		139,964	199,671
Assets pledged as collateral	20	322	1,493

PARENT COMPANY BALANCE SHEETS
(in SEK millions)

	Notes	As of December 31, 2000	2001
Stockholders' equity, provisions and liabilities			
Stockholders' equity	14		
Capital stock		7,910	8,066
Share premium reserve		3,685	3,694
Revaluation reserve		20	20
Statutory reserve		6,741	6,741
Restricted equity		18,356	18,521
Retained earnings		13,125	18,035
Net income		9,020	(4,746)
Non-restricted equity		22,145	13,289
		40,501	31,810
Untaxed reserves	15	5,262	4,086
Provisions	16	2,833	5,055
Long-term liabilities			
Notes and bond loans	17	15,884	41,656
Convertible debentures	17	4,346	4,437
Liabilities to financial institutions	17	322	272
Liabilities to subsidiaries	12, 17	13,345	45,574
Other long-term liabilities	17	37	128
		33,934	92,067
Current liabilities			
Current maturities of long-term debt		2,713	3,344
Current liabilities to financial institutions	18	4,756	318
Advances from customers		34	17
Accounts payable - trade		527	807
Liabilities to subsidiaries	12	45,360	57,376
Income tax liability		265	-
Other current liabilities	19	3,779	4,791
		57,434	66,653
Total stockholders' equity, provisions and liabilities		139,964	199,671
Contingent liabilities	21	13,406	23,597

PARENT COMPANY STATEMENTS OF CASH FLOWS
(in SEK millions)

	Notes	Year ended December 31, 1999	2000	2001
Operations				
Net income	22	5,566	9,020	(4,746)
Adjustments to reconcile net income to cash				
Depreciation and amortization		322	56	56
Write-downs and capital gains (-)/losses on sale of fixed assets		41	(2,268)	18,983
Appropriations to/transfers from (-) untaxed reserves		2,320	(144)	(1,176)
Unsettled contributions from (-)/to subsidiaries		(5,200)	(190)	38
Unsettled dividends		(3,904)	(3,800)	(3,700)
Deferred taxes		-	113	(612)
Changes in operating net assets				
Inventories		655	2	1
Customer financing, short-term and long-term		(6,188)	(514)	2,858
Accounts receivable - trade		(450)	(708)	(1,373)
Other operating assets, provisions and liabilities, net		2,047	3,960	12,015
Cash flow from operating activities		(4,791)	5,527	22,344
Investments				
Investments in tangible assets		(368)	(91)	(20)
Sales of tangible assets		1,810	331	23
Acquisitions/sales of other investments, net	22	(5,185)	(3,174)	(9,196)
Lending, net		(4,397)	(24,086)	(14,037)
Other		(1,705)	1,705	(1,343)
Cash flow from investing activities		(9,845)	(25,315)	(24,573)
Cash flow before financing activities		(14,636)	(19,788)	(2,229)
Financing				
Changes in current liabilities to financial institutions, net		890	3,797	(4,400)
Changes in current liabilities to subsidiaries		11,120	29,628	8,980
Proceeds from issuance of other long-term debt		13,323	-	28,244
Repayment of long-term debt		(556)	(55)	(3,582)
Stock issue		-	-	155
Repurchase of own stock		-	(386)	(156)
Dividends paid		(3,904)	(3,918)	(3,953)
Other		456	(506)	94
Cash flow from financing activities		21,329	28,560	25,382
Net change in cash		6,693	8,772	23,153
Cash and cash equivalents, beginning of period		10,397	17,090	25,862
Cash and cash equivalents, end of period		17,090	25,862	49,015

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 generally accepted accounting principles in the United States (U.S. GAAP). For a description of major differences as applicable to the Company's financial statements, see Note 24.

Parent Company

The financial statements of the parent company are also prepared in accordance with accounting principles generally accepted in Sweden. Investments in subsidiary and associated companies are accounted for on a cost basis. Parent company income includes dividends received from subsidiaries and other inter-company revenues and costs, which are eliminated in the consolidated accounts.

Restatement of financial statements

In its consolidated financial statements as of and for the period ended March 31, 2002, Ericsson consolidated certain finance companies previously accounted for under the equity method. The consolidated financial statements for 1999, 2000 and 2001 have been restated to consolidate these entities. The entities were consolidated because of the initial application in 2002 of RR 01:00, the new Swedish Accounting Standard for Consolidated Financial Statements. In accordance with RR 01:00, these companies have to be consolidated by the Company since it retains the majority of the residual or ownership risks of the entity. The entities were not previously consolidated by the Company since Ericsson does not own a majority of the voting power or control the companies through an agreement with the other shareholders, requirements for consolidation in the Accounting Standard RR 1:96, followed by Ericsson to 2001. The Parent Company financial statements have not been restated to reflect the changed classification of these entities to subsidiaries.

The adoption of RR 01:00 has not resulted in any change to net income (loss) or stockholders' equity for any of the three years in the period ended December 31, 2001. The restatement of the balance sheet resulted in an increase in consolidated total assets (primarily short-term and long-term customer financing) and an increase in consolidated total liabilities (primarily current and long-term liabilities to financial institutions) of SEK 8,784 million as of December 31, 1999; SEK 12,968 million as of December 31, 2000; and SEK 7,465 million as of December 31, 2001.

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 or it retains the majority of the residual or ownership risk of the entity. 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 gives a fairer view of the important measure Income before taxes.

Material investments in associated companies, including joint ventures, 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 joint ventures and associated companies", included in Operating Income. Taxes are included in item "Taxes". Unrealized internal profits in inventory in associated companies purchased from subsidiaries are eliminated in proportion to ownership in the consolidated accounts. Investments in associated companies are shown at equity after adjustments for unrealized intercompany profits and unamortized goodwill (see Goodwill below).

Undistributed earnings of associated companies included in consolidated restricted equity are reported as "Equity proportion reserve", as detailed in Note 14. 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.

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".

Translation of foreign currency financial statements

For most subsidiaries, joint ventures 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 consolidated stockholders' equity. When a company accounted for in accordance with these principles is sold, accumulated translation adjustments are included in 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 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 a currency other than the local currency, are translated in two steps. In the first step, re-measurement 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 consolidated stockholders' equity. The remeasurement method, which is in accordance with US GAAP FAS 52, gives a fairer view of these financial statements than a translation directly to Swedish kronor, since companies concerned operate in de facto US dollar- or Euro-based economies.

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 consolidated stockholders' equity, net of tax effects.

Valuation of and accounting for financial instruments

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 investments, interest related derivatives and the interest component in foreign exchange 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. Foreign exchange derivatives hedging certain positions have been valued in a manner reflecting the accounting for the hedged position. Interest rate-related derivatives linked to specific investments or loans or which are applied to hedge interest rate 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. As a result, deviations between actual and hedged flows are recognized in income as soon as they are identified.

Financial assets and liabilities are reported net when a legally enforceable right for set-off exists and there is intent to settle on a net basis or to realize the asset and settle the liability at the same time.

Intangible and tangible fixed assets

Intangible and 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. Intangible assets are amortized over a maximum period of 5 years. See Goodwill above for amortization of goodwill. Amortization and depreciation is included in Cost of Sales and in the respective functional operating expenses.

Impairment reviews of tangible and intangible fixed assets, including goodwill, are performed whenever changes in events or circumstances indicate that the carrying amount has suffered a permanent diminution in value and may not be recoverable. The carrying values of fixed assets, including goodwill, related to those assets are not considered to be recoverable when the expected undiscounted cash flows from those assets are less than their carrying values. An impairment loss is determined based on the amount by which the carrying value exceeds the fair value of those assets. Losses on fixed assets to be disposed of are determined in a similar manner, taking into account the selling price reduced by the costs of disposal.

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.

Receivables

Receivables are reported at anticipated realizable value.

Sales of trade receivables and customer financing accounts are reflected as a reduction of receivables in the accompanying Balance Sheets and the proceeds received are included in cash flows from operating activities in the accompanying Statements of Cash Flows.

For sale of receivables with recourse a provision has been recorded for the estimated value of the recourse liability. The excess of the recourse obligation over the recorded provision is included in contingent liabilities.

Revenue recognition

The majority of our products and services are sold as a part of a contract. The nature of the products and services being sold, and those contractual terms taken as a whole, determine the appropriate revenue recognition method.

Sales revenues are recorded net of value added taxes, goods returned, trade discounts and allowances.

Revenue from hardware is recognized with reference to all significant contractual terms when there is persuasive evidence of an arrangement, when the product has been delivered, when collection is reasonably assured.

Revenue from software is also recognized with reference to all significant contractual terms when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed and determinable and when collection is reasonably assured. For contracts that have multiple elements, revenue is allocated to each element based on evidence of fair values. We do not generally provide extended payment terms but may provide customer financing on construction-type contracts.

Revenues from construction-type contracts are generally recognized using the percentage-of-completion method. Completion is measured using either the cost-to-cost input method or the milestone output method. The terms of construction-type contracts generally define certain milestones which, in addition to providing basis for progress billing, are also the basis of measuring the progress of the contract. Revenues from contracts associated with new technology are not recognized until specified functionality has been achieved, customer acceptance has been obtained and other contractual terms have been satisfied. The profitability of long-term contracts is periodically assessed and revised if necessary based on changes in circumstances. Provisions for losses are immediately recorded when such losses become known.

Revenue for maintenance services is recognized ratably over the contract term. Revenue for training, consulting, engineering, installation and other services is generally recognized when these services are performed.

Customer contracts include a high degree of integration between different products, software and services, and are often a mix of construction-type contracts and normal delivery contracts. A disclosure in accordance with RR10, §39a, and RR11, §35b, regarding the amounts for different categories of revenue is considered misleading and is not calculated by the Company.

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

Research and development costs

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

Leasing

Financial leasing contracts are capitalized and reported as tangible assets and as other current liabilities and other long-term liabilities.

Deferred tax

The Group and, as from 2001, also the Parent company report 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 to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized.

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.

Deferred tax assets and liabilities are, in deviation from the Swedish Financial Accounting Standards Council’s recommendation RR09, reported as current and long-term in the Balance Sheet, since the Company considers that this method gives a fairer view of the Company’s position.

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.

Deferred tax assets on internal profit in inventory are calculated to reflect the tax effect in the periods in which the temporary differences are expected to reverse.

Statement of Cash Flows

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 and cash equivalents consist of cash, bank and short-term investments due within 12 months.

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 related hedging arrangements.

Earnings per share

Basic earnings 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 were exercised (potential ordinary shares). Net income is adjusted by reversal of interest expense for convertible debentures net of tax.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares decrease net profit per share.

Changes in accounting principles in 2002

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

Intangible assets (RR15)

Provisions, contingent liabilities and contingent assets (RR16)

Impairment of assets (RR17)

Discontinuing operations (RR19)

Borrowing costs (RR21)

Related party disclosure (RR23)

RR15 is expected to have a material positive effect on income for 2002.

Presentation of financial statements (RR22) will be adopted from January 1, 2003.

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 2000.

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 accounts for 2000 and 2001.

Note 1. Net sales by market area and business segment

Market areas
Consolidated

(in SEK million)

	1999	2000	2001
Europe*, Middle East & Africa	115,065	137,935	106,972
North America	25,175	35,193	31,379
Latin America	30,263	44,118	34,516
Asia Pacific	44,900	56,323	58,972
Total	215,403	273,569	231,839
* Of which Sweden	7,551	8,732	7,341
* Of which EU	80,345	94,293	66,561

Parent Company

(in SEK million.)

	1999	2000	2001
Europe*, Middle East & Africa	10,907	1,055	1,143
North America	273	-	-
Latin America	2,036	107	231
Asia Pacific	2,159	33	-
Total	15,375	1,195	1,374
* Of which Sweden	2,346	-	-
* Of which EU	8,047	-	-

Parent company sales are mainly related to business segment Systems.

Business segments

Consolidated

(in SEK million)	1999	2000	2001
Systems	148,929	194,747	187,777
of which Mobile Systems	115,087	158,083	154,343
Multiservice Networks	33,842	36,664	33,434
Phones	46,444	56,279	23,567
Other operations	35,714	35,927	30,816
Less: Inter segment sales	(15,684)	(13,384)	(10,321)
Total	215,403	273,569	231,839

Note 2. Other operating revenues

Consolidated

(in SEK million)	1999	2000	2001
Gains on sales of intangible and tangible assets	307	2,107	1,962
Losses on sales of intangible and tangible assets	(244)	(731)	(1,317)
Gains on sales of investments and operations	1,733	24,133	5,830
Losses on sales of investments and operations	(397)	(231)	(349)
Sub-total	1,399	25,278	6,126
Commissions, license fees and other operating revenues	1,132	2,705	2,272
Total	2,531	27,983	8,398

Parent Company

(in SEK million)	1999	2000	2001
Commissions, license fees and other operating revenues	3,210	3,128	3,068
Net losses (-) on sales of tangible assets	(55)	(67)	(2)
Total	3,155	3,061	3,066

Note 3. Financial income and expenses

Consolidated

(in SEK million)

	1999	2000	2001
Financial Income			
Result from securities and receivables accounted for as fixed assets	1,758	2,393	2,677
Other interest income and similar profit/loss items	847	1,305	2,138
Total	2,605	3,698	4,815
Financial Expenses			
Interest expenses and similar profit/loss items	3,162	4,887	6,589
Financial Net	(557)	(1,189)	(1,774)

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

Parent Company

(in SEK million)	1999	2000	2001
Financial Income			
Result from participations in subsidiaries			
Dividends*	7,750	6,531	14,442
Net gains on sales	-	228	7
Result from participations in associated companies			
Dividends	122	125	23
Net gains/losses (-) on sales	123	1,925	(6)
Result from other securities and receivables accounted for as fixed assets			
Dividends	2	2	-
Net gains on sales	-	182	37
Other interest income and similar profit/loss items			
Subsidiaries	1,365	2,253	3,674
Other**	553	1,106	1,047
Total	9,915	12,352	19,224

* Anticipated dividends amount to SEK 3,700 million in 2001, SEK 3,800 million in 2000 and SEK 3,900 million in 1999.

** Of the total amount, SEK -978 million in 2001, SEK -596 million in 2000, and SEK -4 million in 1999 is attributable to hedge of net investments in foreign subsidiaries.

Parent company

Financial Expenses	**1999**	**2000**	**2001**
(in SEK million)			
Losses on sales of participations in subsidiaries	109	–	5
Write-down of investments in subsidiaries	–	–	19,000
Losses on sales of participations in associated companies	–	–	12
Interest expenses and similar profit/loss items:			
Subsidiaries	887	1,619	2,080
Other	1,197	1,452	2,536
Other financial expenses	9	19	12
Total	2,202	3,090	23,645
Financial Net	7,713	9,262	(4,421)

Parent company's interest expenses on pension liabilities are included in the interest expenses shown above.

Note 4. Income taxes for the year

Income Statement

The following items are included in Income taxes for the year:

	Consolidated		**Parent company**	
	2000	**2001**	**2000**	**2001**
(in SEK million)				
Current income taxes for the year	(8,920)	(5,108)	(671)	(241)
Current income taxes related to prior years	(33)	216	-	22
Deferred income/expense (-) taxes related to temporary differences	1,008	13,680	(113)	612
Share of taxes in joint ventures and associated companies	(53)	25	-	-
Income taxes for the year	(7,998)	8,813	(784)	393

Deferred tax income and expenses

The amounts of deferred tax income and expenses are shown in the following table:

	Consolidated		**Parent company**	
	2000	**2001**	**2000**	**2001**
(in SEK million)				
Deferred tax income*	5,288	17,429	15	612
Deferred tax expenses*	(4,325)	(3,749)	(128)	-
Deferred taxes income/expense, net	963	13,680	(113)	612

*Related to temporary differences

Consolidated

Deferred income tax refer to tax losses carryforwards by SEK 7,986 million (SEK 388 million in 2000) and to certain provisions for restructuring, off-balance sheet customer financing, warranty commitments and allowances for doubtful receivables.

Deferred tax expenses refer to reversal of temporary differences regarding certain opening provisions for restructuring and warranty commitments.

Parent company

Deferred income tax refer to provisions for customer financing commitments and certain pension obligations.

A reconciliation between actual tax income (- expense) for the year and the theoretical tax income (– expense) that would arise when applying the tax rate in Sweden, 28 percent of Income before taxes, shows as follows:

	Consolidated		Parent company	
	2000	2001	2000	2001
(in SEK million)				
Income before taxes	28,692	(30,309)	9,804	(5,139)
Tax rate in Sweden (28%)	(8,033)	8,487	(2,745)	1,439
Effect of foreign tax rates	(730)	986	–-	–
Current income taxes related to prior years	(33)	216	–	22
Tax effect of expenses that are non-deductible for tax purpose	(1,506)	(864)	(136)	(220)
Tax effect of income that are non-taxable for tax purpose	2,395	260	2,097	4,472
Tax effect of changes in tax rates	–	83	–	–
Tax effect related to write-downs of investments in subsidiaries	–	–	–	(5,320)
Tax effect of tax losses carryforwards, net	233	(123)	–	–
Income taxes for the year	(7,674*)	9,045*	(784)	393

*Of which minority interest in taxes -232 (-324).

The Consolidated effective tax rate is 30 percent (27 percent in 2000). In the Parent company the effective tax rate is 8 percent (8 percent also in 2000).

Consolidated

Tax effect of expenses that are non-deductible refer to depreciation of goodwill and other non-deductible expenses.

Tax effect of income that are non-taxable refer mainly to capital gains.

Parent company

Tax effect of expenses that are non-deductible refer mainly to option expenses, tax on dividend and foreign income.

Tax effect of income that are non-taxable refer mainly to dividends.

Balance sheet

Deferred tax assets and liabilities

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

	Consolidated		Parent company	
	2000	2001	2000	2001
(in SEK million)				
Deferred tax assets, current	6,533	11,321	469	771
Deferred tax assets, long-term	1,034	9,591	548	858
Deferred tax liabilities, current	1,177	346	–	–
Deferred tax liabilities, long-term	2,311	1,662	–	–

Consolidated

Deferred tax assets refer to tax losses carryforwards and certain provisions for restructuring, off-balance sheet customer financing, warranty commitments and allowances for doubtful receivables. Deferred tax assets regarding tax losses carryforwards amount to SEK 8,525 million (SEK 515 million in 2000) of which SEK 335 million (SEK 306 million in 2000) is reported as current and SEK 8,190 million (SEK 209 million in 2000) is reported as long-term.

Deferred tax liabilities refer mainly to untaxed reserves.

Parent company

Deferred tax assets refer mainly to provisions for customer financing commitments and certain pension obligations.

Investments in subsidiaries, joint ventures and associated companies

Due to losses in certain subsidiaries the book value of certain investment in subsidiaries, joint ventures and associated companies are less than the tax value of these investments. However, since deferred tax assets have been reported with respect to losses in these companies and the uncertainty as to which deductions can be realized in the future, with respect to the above differences between book and tax value, these amounts are not reported.

Tax losses carryforwards

Deferred tax assets regarding unutilized tax losses carryforwards are reported to the extent that realization of the related tax benefit through the future taxable profits is probable also when considering the period during which these can be utilized, as described below.

At December 31, 2001 these unutilized tax losses carryforwards, essentially all reflected as an asset, amounted to MSEK 27,613.

The final years in which these losses carryforwards can be utilized are shown in the following table:

Year of expiration	**2001**
(in SEK million)	
2002	500
2003	133
2004	36
2005	214
2006	716
2007 or later	26,014
Total	27,613

The Parent company has no unutilized tax loss carryforwards.

Tax effects reported directly to stockholders' equity

Tax effects reported directly to stockholders' equity regarding equity hedge amount to SEK 233 million (SEK 140 million).

Note 5. Earnings per share

Consolidated	**1999**	**2000**	**2001**
(in SEK million, except for shares and per share data)			
Earnings per share, basic			
Net income	12,130	21,018	(21,264)
Average number of shares outstanding (millions)	7,817	7,869	7,909
	1.55	2.67	(2.69)
Earnings per share, diluted			
Net income	12,130	21,018	(21,264)
Interest expenses on convertible debentures, net of income taxes	185	207	176
Net income after full conversion	12,315	21,225	(21,088)
Average number of shares after full conversion and exercise of stock options (millions)	7,987	8,004	7,988
	1.54	2.65	(2.69)*

*Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

Note 6. Intangible assets

Consolidated (in SEK million)	Licenses, Trademarks and similar rights	Patents and acquired research and development	Goodwill	Total
Year 1999				
Accumulated acquisition costs				
Opening balance	1,298	505	7,078	8,881
Acquisitions	256	745	4,372	5,373
Balance regarding acquired and sold companies	(4)	(117)	9	(112)
Sales/disposals	(10)	52	(65)	(23)
Translation difference for the year	(117)	(15)	(258)	(390)
Closing balance	1,423	1,170	11,136	13,729
Accumulated depreciation				
Opening balance	(1,144)	(424)	(959)	(2,527)
Depreciation for the year	(136)	(30)	(684)	(850)
Balance regarding acquired and sold companies	3	122	2	127
Sales/disposals	8	(83)	44	(31)
Translation difference for the year	110	10	(20)	100
Closing balance	(1,159)	(405)	(1,617)	(3,181)
Net carrying value	264	765	9,519	10,548

Consolidated (in SEK million)	License Trademarks and similar rights	Patents and acquired research and development	Goodwill	Total
Year 2000				
Accumulated acquisition costs				
Opening balance	1,423	1,170	11,136	13,729
Acquisitions	105	89	2,309	2,503
Balance 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)
Balance 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

Consolidated

(in SEK million)	Licenses, Trademarks and similar rights	Patents and acquired research and development	Goodwill	Total
Year 2001				
Accumulated acquisition costs				
Opening balance	1,410	1,232	14,300	16,942
Acquisitions	207	83	473	763
Balances regarding acquired and sold companies	(30)	-	-	(30)
Sales/disposals	(120)	-	(32)	(152)
Translation difference for the year	99	23	999	1,121
Closing balance	1,566	1,338	15,740	18,644
Accumulated depreciation				
Opening balance	(1,213)	(477)	(2,419)	(4,109)
Depreciation for the year	(156)	(95)	(1,123)	(1,374)
Balances regarding acquired and sold companies	22	-	-	22
Sales/disposals	92	-	7	99
Translation difference for the year	(81)	(11)	(124)	(216)
Closing balance	(1,336)	(583)	(3,659)	(5,578)
Net carrying value	230	755	12,081	13,066

Parent company

(in SEK million)	Patents, Licenses, trademarks and similar rights
Year 2000	
Accumulated 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

Parent company

(in SEK million)	Patents, licenses, trademarks and similar rights
Year 2001	
Accumulated acquisition costs	
Opening balance	111
Acquisitions	105
Closing balance	216
Accumulated depreciation	
Opening balance	(78)
Depreciation for the year	(27)
Closing balance	(105)
Net carrying value	111

Note 7. Tangible assets

Consolidated

(in SEK million)	Land and buildings	Machinery	Other equipment	Construction in process and advance payments	Total
Year 1999					
Accumulated acquisition costs					
Opening balance	9,454	14,438	22,640	1,210	47,742
Acquisitions	537	2,401	4,140	2,149	9,227
Balances regarding acquired and sold companies	(53)	195	143	24	309
Sales/disposal	(29)	(1,435)	(1,956)	(60)	(3,480)
Reclassifications	342	691	642	(1,675)	–
Translation difference for the year	(165)	(179)	(304)	(20)	(668)
Closing balance	10,086	16,111	25,305	1,628	53,130
Accumulated depreciation					
Opening balance	(2,183)	(8,440)	(14,836)	–	(25,459)
Depreciation for the year	(344)	(2,442)	(3,762)	–	(6,548)
Balance regarding acquired and sold companies	–	7	172	–	179
Sales/disposals	3	1,114	1,834	-	2,951
Reclassifications	(2)	(335)	337	-	–
Translation difference for the year	96	116	203	-	415
Closing balance	(2,430)	(9,980)	(16,052)	-	(28,462)
Accumulated revaluations, net					
Opening balance	461	–	2	-	463
Revaluations for the year	–	–	–	-	–
Depreciation for the year on revaluations	(53)	–	–	-	(53)
Sales/disposals	(83)	–	1	-	(82)
Translation difference for the year	(22)	–	–	-	(22)
Closing balance	303	–	3	-	306
Net carrying value	7,959	6,131	9,256	1,628	24,974

Consolidated

(in SEK million)	Land and buildings	Machinery	Other equipment	Construction in process and advance payments	Total
Year 2000					
Accumulated acquisition costs					
Opening balance	10,086	16,111	25,305	1,628	53,130
Acquisitions	407	3,499	5,858	2,879	12,643
Balances regarding acquired and sold companies	(43)	(241)	71	(2)	(215)
Sales/disposals	(4,762)	(2,122)	(4,644)	(133)	(11,661)
Reclassifications	332	1,474	1,038	(2,844)	0
Translation difference for the year	272	473	905	41	1,691
Closing balance	6,292	19,194	28,533	1,569	55,588
Accumulated depreciation					
Opening balance	(2,430)	(9,980)	(16,052)	-	(28,462)
Depreciation for the year	(407)	(5,488)	(4,145)	-	(10,040)
Balances regarding acquired and sold companies	16	232	101	-	349
Sales/disposals	1,349	1,879	3,104	-	6,332
Reclassifications	(67)	65	2	-	0
Translation difference for the year	(71)	(263)	(575)	-	(909)
Closing balance	(1,610)	(13,555)	(17,565)	-	(32,730)

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	4,925	5,639	10,971	1,569	23,104

Consolidated

(in SEK million)	Land and buildings	Machinery	Other equipment	Construction in process and advance payments	Total
Year 2001					
Accumulated acquisition costs					
Opening balance	6,292	19,194	28,533	1,569	55,588
Acquisitions	341	3,299	2,907	2,179	8,726
Balances regarding acquired and sold companies	(3)	(84)	(254)	(22)	(363)
Sales/disposal	(4,739)	(8,711)	(8,429)	(182)	(22,061)
Reclassifications	579	882	1,428	(2,889)	-
Translation difference for the year	579	668	1,232	42	2,521
Closing balance	3,049	15,248	25,417	697	44,411
Accumulated depreciation					
Opening balance	(1,610)	(13,555)	(17,565)	-	(32,730)
Depreciation for the year	(314)	(1,408)	(4,764)	-	(6,486)
Balances regarding acquired and sold companies	3	56	94	-	153
Sales/disposals	1,052	5,191	6,494	-	12,737
Reclassifications	-	(87)	87	-	-
Translation difference for the year	(283)	(396)	(803)	-	(1,482)
Closing balance	(1,152)	(10,199)	(16,457)	-	(27,808)
Accumulated revaluation , net					
Opening balance	243	-	3	-	246
Depreciation for the year	-	-	-	-	-
Sales/disposals	(212)	-	(3)	-	(215)
Translation difference for the year	7	-	-	-	7
Closing balance	38	-	-	-	38
Net carrying value	1,935	5,049	8,960	697	16,641

Parent company

(in SEK million)	Land and buildings	Machinery	Other equipment	Construction in process and advance payments	Total
Year 2000					
Accumulated 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/disposal	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

Parent company

(in SEK million)	Land and buildings	Machinery	Other equipment	Construction in process and advance payments	Total
Year 2001					
Accumulated acquisition costs					
Opening balance	23	167	130	-	320
Acquisitions	-	-	20	-	20
Sales/disposal	-	(155)	(46)	-	(201)
Closing balance	23	12	104	-	139
Accumulated depreciation					
Opening balance	-	(156)	(68)	-	(224)
Depreciation for the year	-	(1)	(28)	-	(29)
Sales/disposals	-	146	29	-	175
Closing balance	-	(11)	(67)	-	(78)
Net carrying value	23	1	37	-	61

Note 8. Financial assets

Equity in joint ventures and associated companies in 1999

Consolidated

(in SEK million)	Associated Companies	Total
Opening balance	1,315	1,315
Share in earnings	90	90
Taxes	(30)	(30)
Translation difference for the year	(28)	(28)
Dividends	(81)	(81)
Acquisitions	32	32
Sales	(79)	(79)
Closing balance	1,219	1,219

Goodwill, net, constitutes SEK 125 million of the investments (SEK 81 million in 1998). Dividends received from companies accounted for under the equity method were SEK 11 million in 1998 and SEK 139 million in 1997.

Other financial assets 1999

Consolidated

(in SEK million)	Other Investments	Long-term customer financing	Other long-term receivables
Year 1999			
Accumulated acquisition costs			
Opening balance	1,528	12,275	3,702
Acquisitions/credits granted	588	10,155	2,955
Sales/repayments	(270)	(8,083)	(754)
Translation difference for the year	(31)	(88)	84
Closing balance	1,815	14,259	5,987
Accumulated revaluations			
Opening balance	21	–	–
Revaluations for the year	–	–	–
Sales/Repayment	–	–	–
Translation difference for the year	–	–	–
Closing balance	21		
Accumulated write-downs[1]			
Opening balance	(39)	(2,112)	(24)
Write-downs for the year	(12)	(4,222)	(62)
Sales/repayments	39	2,656	(47)
Translation difference for the year	–	(20)	5
Closing balance	(12)	(3,698)	(128)
Net carrying value	1,824	10,561	5,859[2]

1. Write-downs are included in Selling expenses due to the close relation to operations.
2 Of which deferred tax assets SEK 9,591 million.

Equity in joint ventures and associated companies in 2000

Consolidated

(in SEK million)	Associated Companies	Total
Opening balance	1,219	1,219
Share in earnings	98	98
Taxes	(53)	(53)
Translation difference for the year	45	45
Dividends	(35)	(35)
Acquisitions	37	37
Sales	(28)	(29)
Closing balance	1,283	1,283

Goodwill, net, constitutes SEK 76 million of the investments (SEK 125 million in 1999). Dividends received from companies accounted for under the equity method were SEK 81 million in 1999 and SEK 11 million in 1998.

Parent company

(in SEK million)	Subsidiaries	Associated Companies	Other 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
Write-downs	-	-	-
Reclassifications	(2)	(22)	24
Sales	(8)	(48)	(6)
Closing balance	35,353	1,008	84

Other financial assets 2000

Consolidated

Year 2000 (in SEK million)	Other Investments	Long-term customer financing	Other long-term receivables
Accumulated acquisition costs			
Opening balance	1,815	14,259	5,987
Acquisitions/credits granted	3,469	8,967	3,940
Sales/repayments	(2,265)	(7,021)	(3,159)
Translation difference for the year	29	628	86
Closing balance	3,048	16,833	6,854
Accumulated revaluations			
Opening balance	21	-	-
Revaluations for the year	9	-	-
Sales/repayments	-	-	-
Translation difference for the year	-	-	-
Closing balance	30		
Accumulated write-downs[1]			
Opening balance	(12)	(3,698)	(128)
Write-downs for the year	(480)	(703)	45
Sales/repayments	(11)	1,210	(2)
Translation difference for the year	(18)	(59)	(2)
Closing balance	(521)	(3,250)	(87)
Net carrying value	2,557[3]	13,583	6,767[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 SEK million.
3 Market value per December 31, 2000 for listed shares was SEK 7,630 million.

Parent company

Year 2000 (in SEK million)	Long-term customer financing	Other long-term receivables
Accumulated acquisition costs		
Opening balance	8,072	2,129
Acquisitions/credits granted	4,623	759
Sales/repayments	(5,240)	-
Long term deferred tax receivables	-	-
Translation/revaluation difference for the year	-	(970)
Closing balance	7,455	1,918
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	1,918

Equity in joint ventures and associated companies in 2001

Consolidated

(in SEK million)	Joint Ventures	Associated Companies	Total
Opening balance	–	1,283	1,283
Share in earnings	(702)	(13)	(715)
Taxes	60	(35)	25
Translation difference for the year	(135)	71	(64)
Dividends	–	(27)	(27)
Acquisitions	2,752	61	2,813
Sales	–	(180)	(180)
Closing balance	1,975	1,160	3,135

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Goodwill, net, amounts to SEK 19 million of the investments (SEK 76 million in 2000). Dividends received from companies accounted for under the equity method were SEK 35 million in 2000 and SEK 81 million in 1999.

Share of assets, liabilities and income in joint ventures

Consolidated

(in SEK million)	Total
Fixed assets	623
Current assets	5,659
Provisions	318
Long-term liabilities	-
Current liabilities	3,989
Net assets	1,975
Net sales	4,840
Income before taxes	(702)
Net income	(642)
Assets pledged as collateral	15
Contingent liabilities	112

Parent company

(in SEK million)	Subsidiaries	Joint Ventures	Associated Companies	Other investments
Investments				
Opening balance	35,353	-	1,008	84
Acquisitions and stock issues	2,503	2,752	1	-
Shareholders' contribution	27,000	-	-	-
Revaluations for the year	-	-	-	2
Write-downs	(19,000)	-	-	-
Reclassifications	-	-	(10)	10
Sales	(1,373)	-	(26)	(42)
Closing balance	44,483	2,752	973	54

Other financial assets 2001

Consolidated

Year 2001 (in SEK million)	Other Investments	Long-term customer financing	Other Long-term financial assets
Accumulated acquisition costs			
Opening balance	3,048	16,833	6,854
Acquisitions/credits granted	973	2,537	12,168
Sales/repayments	(459)	(8,167)	(2,532)
Translation difference for the year	168	126	242
Closing balance	3,730	11,329	16,732
Accumulated revaluations			
Opening balance	30		
Revaluations for the year	-		
Sales/repayments	(30)		
Translation difference for the year	-		
Closing balance	-		
Accumulated write-downs[1]			
Opening balance	(521)	(3,250)	(87)
Write-downs for the year	(45)	(1,668)	(79)
Sales/repayments	(3)	1,556	10
Translation difference for the year	(60)	(34)	(5)
Closing balance	(629)	(3,396)	(161)
Net carrying value	3,101[2]	7,933	16,571[3]

1 Write-downs are included in Selling expenses due to the close relation to operations.
2 Market value per December 31, 2001 for listed shares was SEK 587 million with a net carrying value of SEK 332 million.
3 Of which deferred tax assets SEK 9,591 million.

Parent company

Year 2001 (in SEK million)	Long-term customer financing	Other Long-term financial assets
Accumulated acquisition costs		
Opening balance	7,455	1,918*
Acquisitions/credits granted	1,248	1,237
Sales/repayments	(5,901)	(627)
Long term deferred tax receivables	-	858
Translation/revaluation difference for the year	-	(467)
Closing balance	2,802	2,919
Accumulated write-downs		
Opening balance	(1,136)	-
Write-downs for the year	(465)	-
Sales/repayments	693	-
Closing balance	(908)	-
Net carrying value	1,894	2,919

* Opening balance is adjusted according to RR9 - Income taxes. See Accounting Principles and Notes.

Note 9. 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 owned directly by the parent company

Type	Company	Reg. No.	Domicile	Percentage of ownership	Carrying value (in SEK million) 1999	2000	2001
Subsidiaries							
I	Ericsson Utvecklings AB	556137-8646	Sweden	100	17	17	17
I	Ericsson Enterprise AB	556090-3212	Sweden	100	335	335	335
I	Ericsson Microwave Systems AB	556028-1627	Sweden	100	151	151	151
I	Ericsson Radio Systems AB	556056-6258	Sweden	100	636	636	636
I	Ericsson Telecom AB	556251-3258	Sweden	100	–	2,520	6,520
I	Ericsson Mobile Communications AB	556251-3266	Sweden	100	516	5,616	9,716
I	Ericsson Radio Access AB	556250-2046	Sweden	100	41	41	41
I	Ericsson Sverige AB	556329-5657	Sweden	100	100	100	100
I	Ericsson Business Innovation AB	556128-5924	Sweden	100	1	1	801
I	Ericsson Global IT Services AB	556250-9454	Sweden	100	102	252	252
I	Ericsson Software Technology AB	556212-7398	Sweden	100	67	67	67
I	EHPT Sweden AB	556577-9799	Sweden	100[10]	–	881	2,247
I	Ericsson Juniper Networks Mobile IP AB	556606-5438	Sweden	60	–	–	50
II	SRA Communication AB	556018-0191	Sweden	100	145	145	145
II	AB Aulis	556030-9899	Sweden	100	6	6	6
II	LM Ericsson Holding AB	556381-7666	Sweden	100	1,122	1,122	1,122
II	Ericsson Gämsta AB	556381-7609	Sweden	100[11]	108	1,024	324
III	Ericsson Treasury Services AB	556329-5673	Sweden	100	2	2	2
III	Ericsson Credit AB	556326-0552	Sweden	100	5	5	5
	Other (Sweden)			-	1,678[9]	1,736[8]	661
I	Ericsson Austria AG		Austria	100	662	662	664
I	LM Ericsson A/S		Denmark	100	216	216	216
I	Oy LM Ericsson Ab		Finland	100	195	195	195
II	Ericsson Participations S.A.		France	100	485	485	485
I	Ericsson GmbH		Germany	100	341	341	341
I	Ericsson Communications Systems Hungary Ltd.		Hungary	100	48	120	120
II	LM Ericsson Holdings Ltd.		Ireland	100	14	14	14
III	Ericsson Treasury Ireland Ltd.		Ireland	100	3,924	3,924	3,924
III	Ericsson Financial Services Ireland		Ireland	100	–	1,403	2,951
II	Ericsson S.p.A. [7]		Italy	72	105	105	105
I	Ericsson A/S		Norway	100	194	194	194
I	Ericsson Corporatio AO		Russia	100	4	4	4
I	Ericsson AG		Switzerland	100	–	–	-
II	Ericsson Holding Ltd.		United Kingdom	100	757	757	757
	Other (Europe, excluding Sweden)			-	89	65	64
II	Ericsson Holding II Inc.		United States	88[1]	10,591	10,591	9,508
I	Cía Ericsson S.A.C.I.		Argentina	100	10	10	10
I	Teleindustria Ericsson S.A.		Mexico	100	572	572	572
	Other (United States, Latin America)			-	134	135	133
II	Teleric Pty Ltd.		Australia	100	99	99	99
I	Beijing Ericsson Mobile Communication Co. Ltd		China	25[2]	36	36	36
I	Ericsson Ltd.		China	100	2	2	2
I	Ericsson (China) Company Ltd.		China	100	369	369	369
I	Nanjing Ericsson Communication Co. Ltd.		China	41[3]	76	76	61
I	Ericsson Telecommunications Ltd.		India	100	105	105	147
I	Ericsson Telecommunications Sdn. Bhd.		Malaysia	70	4	4	4
I	Ericsson Telecommunications Pte. Ltd.		Singapore	100	1	1	1
I	Ericsson Taiwan Ltd.		Taiwan	80	19	19	19
I	Ericsson (Thailand) Ltd.		Thailand	49[4]	4	4	4
	Other countries			–	276	288	286
				Total	24,364	35,353	44,483
Joint ventures and associated companies							
I	Sony Ericsson Mobile Communications AB	556615-6658	Sweden	50	–	–	2,752
III	AB LM Ericsson Finans	556008-8550	Sweden	90[5]	41	41	41
III	Ericsson Project Finance AB	556058-5936	Sweden	91[6]	510	510	510
I	Ericsson Nikola Tesla		Croatia	49	330	330	330
	Other		Croatia	-	158	127	92
				Total	1,039	1,008	3,725

Note 9. Investments continued

Shares owned by subsidiaries

Type	Company	Reg. No.	Domicile	Percentage of ownership
I	Ericsson	556000-0365	Sweden	100
I	Ericsson Microelectronics AB	556611-6389	Sweden	100[12]
II	Ericsson Cables Holding AB	556044-9489	Sweden	100[12]
I	Ericsson France S.A.		France	100
I	LM Ericsson Ltd.		Ireland	100
I	Ericsson Telecommunicazioni S.p.A.		Italy	72
II	Ericsson Holding International B.V.		The Netherlands	100
II	Ericsson Nederland B.V.		The Netherlands	100
I	Ericsson Telecommunicatie B.V.		The Netherlands	100
I	Ericsson Espana S.A.		Spain	100
I	Ericsson Ltd.		United Kingdom	100
I	Ericsson Mobile Communications (U.K.) Ltd.		United Kingdom	100
I	Ericsson Canada 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 Telecommunicacoes S.A.		Brazil	98
I	Ericsson Servicos de Telecomunicacoes Ltds		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	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 51% of Nanjing Ericsson Communication Co. Ltd. In 2000 and 1999, the parent company's ownership was 51%.

4 Through subsidiary holdings, total holdings amount to 100% of Ericsson (Thailand) Ltd.

5 Voting power is 40%. Treated as a subsidiary in the consolidated accounts.

6 Voting power is 49%. Treated as a subsidiary in the consolidated accounts.

7 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, 2001, was SEK 4,706 million (2000 – SEK 8,278 million, 1999 – SEK 9,041 million).

8 Includes Ericsson Microelectronics AB and Ericsson Cables Holding AB with SEK 60 million and SEK 969 million, respectively.

9 Includes Ericsson Cables Holding AB with SEK 969 million.

10 Percentage of ownership December 31, 2000 – 81%.

11 Percentage of ownership December 31, 1999 60%.

12 See comments in (8) and (9).

Note 10. Inventories

(in SEK million)	Consolidated			Parent company	
	1999	2000	2001	2000	2001
Raw material, components and consumables	13,324	19,907	9,185	1	1
Manufacturing work in process	1,823	3,723	1,224	-	-
Finished products and goods for resale	1,972	4,499	5,728	2	3
Contract work in process	13,398	17,771	13,653	9	5
Less advances from customers	(4,816)	(1,967)	(4,880)	(9)	(7)
Inventories, net	25,701	43,933	24,910	3	2

Note 11. Accounts receivable - trade

(in SEK million)	Consolidated			Parent company	
	1999	2000	2001	2000	2001
Notes and accounts receivable	65,658	76,921	56,561	-	753
Receivables from associated companies	204	288	675	102	52
Total	65,862	77,209	57,236	102	805

Allowances for doubtful accounts amounting to SEK 2,655 million (2000- SEK 2,014 million, 1999- SEK 2,550 million) and SEK 276 million (SEK 275 million in 2000) in the Parent company, which has reduced the amounts shown above, include amounts for estimated losses based on commercial risk evaluations. Retention receivables, recognized as revenue was SEK 6,924 million at December 31, 2001.

Note 12. Receivables and payables – subsidiaries

Parent company

(in SEK million)	2000	2001
Long Term Receivables*		
Financial receivables	22,682	29,673
Current Receivables		
Commercial receivables	1,548	2,218
Financial receivables	34,209	52,277
Total	35,757	54,495
Long Term Liabilities*		
Financial liabilities	13,345	45,574
Current Liabilities		
Commercial liabilities	648	381
Financial liabilities	44,712	56,995
Total	45,360	57,376

*Including non-interest bearing receivables and liabilities, net, amounting to SEK -17,212 million (SEK 6,224 million in 2000). Interest-free transactions involving current receivables and liabilities may also arise at times.

Note 13. Other receivables

(in SEK million)	Consolidated			Parent company	
	1999	2000	2001	2000	2001
Receivables from associated companies	1,039	507	176	2,163	2,564
Prepaid expenses	3,231	4,790	3,389	404	716
Accrued revenues	3,083	5,124	5,824	437	598
Advance payments to suppliers	887	1,440	603	-	-
Deferred tax assets	3,457	6,561	11,328	469	771
Other	18,558	23,280	17,851	6,644	5,588
Total	30,255	41,702	39,171	10,117	10,237

Note 14. Stockholders' equity

Capital stock 1999

Capital stock at December 31, 1999, consisted of the following:

Parent company	Number of shares outstanding	Aggregate par value
A shares (par value SEK 2.50)	164,054,660	410
B shares (par value SEK 2.50)	1,793,083,861	4,483
	1,957,138,521	4,893

In 1999, the capital stock of the Company consisted of two classes: Class A shares (par value SEK 2.50) and Class B shares (par value SEK 2.50). 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.

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 (SEK m.)	1999
Opening balance	288
Changes in cumulative translation adjustments	(2,403)
Closing balance	(2,115)

Changes in cumulative translation adjustments include: change in cumulative translation adjustments (including goodwill) in Brazil of SEK –2,622 million; change regarding recalculation of goodwill in local currency (excluding goodwill in Brazil) of SEK 393 million; net gain/loss (-) from hedging of investments in foreign subsidiaries of SEK 38 million (SEK –77 million in 1998) and SEK 1 million (SEK 94 million in 1998) 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:

(in SEK million)	1999
Cost of sales	65
Financial income	(11)
Taxes	(3)
Total	51

Changes in stockholders' equity

Consolidated	Capital stock	Equity proportion reserve	Other restricted reserves	Restricted equity	Non-restricted equity	Total
			(in SEK million)			
January 1 1999	4,878	365	27,688	32,931	30,181	63,112
Conversion of debentures	15	-	269	284	-	284
Capital discount	-	-	(7)	(7)	-	(7)
Proceeds from unclaimed stock dividend shares	-	-	1	1	-	1
Dividends paid	-	-	-	-	(3,905)	(3,905)
Revaluation of fixed assets	-	-	(36)	(36)	-	(36)
Transfer between non-restricted and restricted reserves	-	(17)	6,758	6,741	(6,741)	-
Changes in cumulative translation adjustments	-	-	(2,403)	(2,403)	-	(2,403)
Net income 1999	-	-	-	-	12,130	12,130
December 31, 1999	4,893	348	32,270	37,511	31,665	69,176

Of retained earnings, SEK 65 million 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
					(in SEK million)				
January 1, 1999	4,878	1,687	95	9,680	16,340	100	14,464	14,564	30,904
Conversion of debentures	15	269	-	-	284	-	-	-	284
Capital discount	-	(15)	-	-	(15)	-	-	-	(15)
Reversal of revaluation reserve	-	-	(75)	-	(75)	-	75	75	-
Proceeds from unclaimed stock dividend shares	-	-	-	1	1	-	-	-	1
Dividends paid	-	-	-	-	-	-	(3,905)	(3,905)	(3,905)
Net income 1999	-	-	-	-	-	-	5,566	5,566	5,566
December 31, 1999	4,893	1,941	20	9,681	16,535	100	16,200	16,300	32,835

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

Capital stock 2000

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

Parent company	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 2000, 1,804,000 of the above stated Ericsson B shares were repurchased by the Parent Company.

Cumulative translation adjustments (in SEK million)	2000
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 of SEK 779 million (SEK 393 million in 1999); net gain/loss (-) from hedging of investments in foreign subsidiaries of SEK -360 million (SEK 38 million in 1999) and SEK 9 million (SEK 1 million in 1999) 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:

(in SEK million)	2000
Cost of sales	165
Financial income	(41)
Taxes	1
Total	125

Changes in stockholders' equity

Consolidated	Capital stock	Equity proportion reserve	Other restricted reserves	Total restricted equity	Non-restricted equity	Total
			(in SEK million)			
January 1, 2000	4,893	348	32,270	37,511	31,665	69,176
Repurchase of own stock	-	-	-	-	(386)	(386)
Stock dividend	2,941	-	(2,941)	-	-	0
Conversion of debentures	76	-	1,839	1,915	-	1,915
Capital discount	-	-	(105)	(105)	-	(105)
Proceeds from unclaimed stock dividend shares	-	-	1	1	-	1
Dividends paid	-	-	-	-	(3,919)	(3,919)
Gains on sale of own options and convertible debentures	-	-	-	-	2,018	2,018
Revaluation of fixed assets	-	-	(7)	(7)	-	(7)
Transfer between non-restricted and restricted reserves	-	99	(879)	(780)	780	0
Changes in cumulative translation adjustments	-	-	1,975	1,975	-	1,975
Net income 2000	-	-	-	-	21,018	21,018
December 31, 2000	7,910	447	32,153	40,510	51,176	91,686

Of retained earnings, SEK 86 million was 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, 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
					(in SEK million)				
January 1, 2000	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 form unclaimed stock dividend shares	-	-	-	1	1	-	-	-	1
Dividends paid	-	-	-	-	-	-	(3,919)	(3,919)	(3,919)
Net income 2000	-	-	-	-	-	-	9,133	9,133	9,133
December 31, 2000	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.

Capital stock 2001

Capital stock at December 31, 2001, consisted of the following:

Parent company	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)	7,409,285,367	7,410
	8,065,504,007	8,066

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 155,000,000 of the above stated Ericsson B shares have been repurchased by the Parent company. The total number of treasury stock at December 31, 2001 is 156,804,000.

Cumulative translation adjustments (SEK million)	**2001**
Opening balance	(140)
Changes in cumulative translation adjustments	2,110
Closing balance	1,970

Changes in cumulative translation adjustments include: changes regarding recalculation of goodwill in local currency of SEK 996 million (SEK 779 million in 2000); net gain/loss (-) from hedging of investments in foreign subsidiaries of SEK -600 million (SEK -360 million in 2000) and SEK 5 million (SEK 9 million in 2000) 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:

(in SEK million)	**2001**
Cost of sales	134
Financial income	28
Taxes	9
Total	171

Changes in stockholders' equity

Consolidated

(in SEK million)	Capital stock	Equity proportion reserve	Other restricted reserves	Total restricted equity	Non-restricted equity	Total
January 1, 2001	7,910	447	32,153	40,510	51,176	91,686
Stock issue	155	-	-	155	-	155
Repurchase of own stock	-	-	-	-	(156)	(156)
Conversion of debentures	1	-	10	11	-	11
Capital discount	-	-	(1)	(1)	-	(1)
Dividends paid	-	-	-	-	(3,954)	(3,954)
Transfer between non-restricted and restricted reserves	-	44	(5,170)	(5,126)	5,126	-
Changes in cumulative translation adjustments	-	-	2,110	2,110	-	2,110
Net income 2001	-	-	-	-	(21,264)	(21,264)
December 31, 2001	8,066	491	29,102	37,659	30,928	68,587

Of retained earnings, SEK 52 million 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, 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

(in SEK million)	Capital stock	Share premium reserve	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Other retained earnings	Non restricted equity	Total
January 1, 2001	7,910	3,685	20	6,741	18,356	100	21,028	21,128	39,484
Adjustment due to change in accounting principles	-	-	-	-	-	-	1,017[2]	1,017	1,017
Opening balance adjusted to RR09	7,910	3,685	20	6,741	18,356	100	22,045	22,145	40,501
Stock issue	155	-	-	-	155	-	-	-	155
Repurchase of own stock	-	-	-	-	-	-	(156)	(156)	(156)
Conversion of debentures	1	10	-	-	11	-	-	-	11
Capital discount	-	(1)	-	-	(1)	-	-	-	(1)
Dividends paid	-	-	-	-	-	-	(3,954)	(3,954)	(3,954)
Net income 2001	-	-	-	-	-	-	(4,746)	(4,746)	(4,746)
December 31, 2001	8,066	3,694	20	6,741	18,521	100	13,189	13,289	31,810

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

[2] Opening balance is adjusted according to RR9 - Income taxes. See Accounting Principles and Notes.

In the Income Statement for 2000, income taxes for the year increased by SEK 113 million to SEK 784 million. In the Balance Sheet for 2000, other long-term receivables increased by SEK 548 million to SEK 1,918 million and other short-term receivables increased by SEK 469 million to SEK 10,117 million.

Note 15. Untaxed reserves

Parent company

(in SEK million)	Jan. 1	Appropriations/ withdrawals(-)	Dec. 31
Accumulated depreciation in excess of plan			
Intangible assets	11	16	27
Tangible assets	38	(20)	18
Total accumulated depreciation in excess of plan	49	(4)	45
Other Untaxed Reserves			
Reserve for doubtful receivables	3,020	247	3,267
Income deferral reserve	2,193	(1,419)	774
Total other untaxed reserves	5,213	(1,172)	4,041
Total Untaxed Reserves	5,262	(1,176)	4,086

Swedish GAAP and tax regulations require a company to report certain differences between the tax basis and book value as an untaxed reserve in the balance sheet of the stand-alone financial statements. Changes to these reserves are reported as an appropriation to untaxed reserves in the income statements.

Changes in other untaxed reserves in the Parent company in 2000 consist of the following: withdrawal of tax equalization reserve, SEK 127 million (SEK 127 million in 1999); appropriations to reserve for doubtful receivables, SEK 389 million (SEK -2,289 million in 1999) and allocation to income deferral reserve SEK 446 million (SEK 529 million in 1999). Deferred tax liability, not accounted for, on untaxed reserves, amounts to SEK 1,144 million in 2001, SEK 1,473 million 2000 and SEK 1,514 million 1999.

Note 16. Provisions

(in SEK million)	Consolidated			Parent company	
	1999	2000	2001	2000	2001
Pensions and similar commitment	8,398	9,318	10,104	943	889
Deferred taxes	1,401	3,295	2,009	-	-
Warranty commitments	3,607	4,432	4,435	-	-
Restructuring	-	3,378	7,075	-	47
Other provisions	8,492	6,317	9,312	1,890	4,119
Total	21,898	26,740	32,935	2,833	5,055

The pension liabilities include the Parent company’s and other Swedish companies’ obligations in the amount of SEK 7,459 million (SEK 7,344 million in 2000, SEK 6,483 million in 1999) in accordance with an agreement with the Pension Registration Institute (PRI), which are covered by a Swedish law on safeguarding of pension commitments. The Parent company’s pension liabilities include an obligation in the amount of SEK 532 million (SEK 634 million in 2000) in accordance with an agreement with PRI.

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

Note 17. Long-term liabilities

(in SEK million)	Consolidated			Parent company	
	1999	2000	2001	2000	2001
Notes and bond loans (maturing 2003-2009)	17,486	15,884	41,656	15,884	41,656
Convertible debentures (maturing 2003)	5,453	4,346	4,437	4,346	4,437
Liabilities to financial institutions	6,966	7,958	7,906	322	272
Liabilities to subsidiaries	-	-	-	13,345	45,574
Other	833	744	887	37	128
Total	30,738	28,932	54,886	33,934	92,067

Long-term liabilities maturing more than five years after the balance sheet date:

(in SEK million)	Consolidated 2001	Parent company 2001
Notes and bond loans and liabilities to financial institutions	9,274	8,873
Other	452	-
Total	9,726	8,873

Of the long-term loans, SEK 22,181 million (note issuances of EUR 2,000 million and GBP 224 million pursuant to our Euro Medium Term Note program) have interest rates linked to the company's credit rating. The interest rate will increase/decrease 0.25 percent per annum for each rating notch per rating agency (Standard & Poor's and Moody's) by which either or both have publicly announced a rating decrease/increase of the company's credit rating below BBB+/ Baa1. The interest rate applicable to these bond issues can not be less than the initial interest rate in the loan agreement.

The Parent company has one convertible debenture loan outstanding. The loan, in the amount of SEK 6,000 million, was issued in 1997. Of the total amount, convertible debentures amounting to SEK 4,859 million were sold to Ericsson employees, and SEK 1,141 million were sold to our wholly owned subsidiary AB Aulis in 2000 and in the same year, Aulis' debentures were converted to shares and sold externally. The debentures which bear interest at 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 million 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 2001, debentures in the amount of SEK 10 million were converted to 168,395 B shares. A conversion of all outstanding debentures would increase the number of shares with 76,454,504.

1 Stockholm Interbank Offered Rate

Note 18. 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 11,183 million of which were for the Parent company SEK 4,456 million. In addition, the Parent company had unused long-term lines of credit amounting to SEK 17,005 million and unutilized commercial paper- and medium term note programs amounting to SEK 38,572 million. Of total unused lines of credit of SEK 28,188 million, SEK 10,124 million had conditions linked to the Group's credit rating. The Company entered into a euro 400 million (SEK 3.7 billion) credit facility with the European Investment Bank in October 2001, but after the Company's credit rating was lowered to Baa2 by Moody's in February 2002, this facility is no longer available to the Company.

Note 19. Other current liabilities

(in SEK million)	Consolidated			Parent company	
	1999	2000	2001	2000	2001
Liabilities to associated companies	823	137	1,077	257	256
Accrued expenses	27,328	33,922	32,189	716	1,876
Prepaid revenues	966	842	1,208	-	469
Other short term liabilities	13,428	14,291	12,026	2,806	2,190
Total	42,575	49,192	45,600	3,779	4,791

Note 20. Assets pledged as collateral

Consolidated

(in SEK million)	1999	2000	2001
Real estate mortgages	36	24	60
Chattel mortgage	-	-	1
Bank deposits	1,824	1,998	3,007
Other	5,035	7,838	7,789
Total	6,895	9,860	10,857

Parent company

(in SEK million)	2000	2001
Bank deposits	298	1,281
Other	24	212
Total	322	1,493

At December 31, 2001, the Parent company had no pledged assets in favor of subsidiaries. However, under certain conditions, it may pledge collateral for certain subsidiaries' pension obligations.

Note 21. Contingent liabilities

(in SEK million)	Consolidated			Parent company	
	1999	2000	2001	2000	2001
Guarantees for					
customer financing	4,510	3,981	10,620	5,802	13,854
accounts receivable	1,104	1,607	-	-	-
Other contingent liabilities	1,526	2,026	1,679	7,604	9,743
Total	7,140	7,614	12,299	13,406	23,597

Of the guarantees assumed by the Parent company, SEK 9,529 million in 2001 and SEK 6,608 million in 2000 are related to subsidiaries.

Note 22. Statement of Cash Flows

Consolidated

Interest paid in 2001 was SEK 3,822 million (SEK 3,763 million in 2000; SEK 2,719 million in 1999) and interest received was SEK 3,659 million (SEK 3,728 million in 2000; SEK 2,001 million in 1999). Income taxes paid were SEK 4,873 million (SEK 5,780 million in 2000; SEK 5,563 million in 1999).

Non-cash transaction under "Cash flow from operating activities" not reported separately is current year increase in pension liabilities of SEK 786 million (SEK 920 million in 2000; SEK 342 million in 1999).

Acquisitions/sales of other investments
Consolidated

(in SEK million)	1999	2000	2001
Purchase price for acquired subsidiaries	(5,312)	(2,264)	-
Cash in acquired subsidiaries	62	35	-
Other acquisitions	(592)	(969)	(3,998)
Sales	1,074	25,841	9,391
Acquisitions/sales, net	(4,768)	22,643	5,393

"Cash flow from investing activities" includes the following major items:

Consolidated

(in SEK million)	2001
Investment in Sony Ericsson joint venture	(2,800)
Proceeds from sales of:	
Shares in Juniper Networks	5,500
Enterprise distribution	3,400
Real estate	4,700
PC and test equipment	2,100

Parent company

Interest paid in 2001 was SEK 3,323 million (SEK 1,178 million in 2000) and interest received was SEK 5,487 million (SEK 1,854 million in 2000). Income taxes paid were SEK 93 million (SEK 356 million in 2000).

Major non-cash items in Investments are:

Acquisitions/sales of other investments, net in 2001 with SEK 21,603 million, (SEK 5,504 million in 2000 and SEK 26 million in 1999).

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

	(in SEK million)
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)

Note 23. Leasing

Leasing obligations

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

Financial leases (in SEK million)	1999	2000	2001
Acquisition costs			
Land and buildings	291	193	-
Machinery	26	26	182
Other equipment	215	410	1,284
	532	629	1,466
Accumulated depreciation			
Land and buildings	141	58	-
Machinery	26	26	24
Other equipment	71	184	263
	238	268	287
Net carrying value	294	361	1,179

At December 31, 2001, future payment obligations for leases were distributed as follows:

Consolidated

(in SEK million)	Financial leases	Operating leases
2002	8,188	3,594
2003	62	3,286
2004	4	2,394
2005	-	2,099
2006	-	1,956
2007 and later	6	9,177
	8,260	22,506

Expenses for the year 2001 for leasing of assets were SEK 3,406 million (SEK 2,594 million in 2000; SEK 1,291 million), of which variable cost was SEK 203 million in 2000; (SEK 208 million in 2000; SEK 86 million in 1999).

The company sold certain assets relating to test plant equipment for software testing in Sweden and the US for SEK 7,897 million in December 2001. The assets were leased back from the purchaser for a period of one year. A residual value guarantee of SEK 6,753 million is included in minimum lease payments for 2002 as is interest charges of SEK 229 million.

This transaction is being accounted for as a financial (capital) lease in the consolidated accounts, which means that no capital gain is reported with the financial lease being reported net of such gain. In the Parent company accounts, this transaction is accounted for as an operating lease. The lease contains various options including purchase options at amounts approximating fair market value at any time during the term of the lease. The Company has in January 2002 made a deposit of SEK 5,516 million to secure certain obligations under the lease.

At December 31, 2001, future payment obligations for leases for the Parent company were distributed as follows:

Parent company

(in SEK million)	Financial leases	Operating leases
2002	-	9,732
2003	-	1,871
2004	-	1,464
2005	-	1,211
2006	-	1,065
2007 and later	-	5,222
	-	20,565

Leasing income

Some consolidated companies lease equipment, mainly telephone exchanges, to customers. These leasing contracts vary in length from 1 to 8 years.

The acquisition value of assets leased to others under Operating leases amounted to SEK 1,107 million at December 31, 2001 (SEK 1,362 million in 2000; SEK 828 million in 1999). Accumulated depreciation amounted to SEK 534 million and net investments to SEK 573 million at December 31, 2001 (SEK 578 million and SEK 784 million respectively in 2000; SEK 484 million and SEK 344 million respectively in 1999).

Net investment in Sales-type leases and Financial leases amounted to SEK 1,425 million at December 31, 2001 (SEK 1,304 million in 2000; SEK 237 million in 1999).

At December 31, 2001 future payments receivable for leased equipment are distributed as follows:

Consolidated

(in SEK million)	Sales-type and Financial leases	Operating leases
2002	412	19
2003	337	18
2004	319	18
2005	1	-
2006	5	-
Net investment	1,074	55

Parent company

(in SEK million)	Financial leases	Operating leases
2002	-	8,323
2003	-	278
2004	-	34
Net investment	-	8,635

The Parent company's operating lease income refers mainly to lease of testplant equipments to subsidiaries.

Note 24. Reconciliation to accounting principles generally accepted in the US

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

A. ***Capitalization of software development costs***

In accordance with Swedish accounting principles, software development costs are charged against income when incurred. The Company practices US GAAP SFAS 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 SFAS 86, 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 (in SEK million)	1999	2000	2001
Capitalization	7,898	10,349	7,091
Amortization	(4,460)	(6,664)	(7,661)
Write-downs	(989)	-	(1,214)
	2,449	3,685	(1,784)

Write-downs of previously capitalized software costs amounting to SEK 1,214 million was made in 2001 as a result of product reviews. The write-down in 1999 was made since one project was reclassified to non-commercial.

Development costs for software for internal use (in SEK million)	1999	2000	2001
Capitalization	1,463	990	993
Amortization	(152)	(542)	(1,344)
	1,311	448	(351)

Amortization of previously capitalized software costs amounting to SEK 1,344 million was made in 2001.

B. ***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 US GAAP, convertible debenture loans are reported as liabilities at nominal value. When calculating income and equity in accordance with US GAAP, the effects of the capital discount are reversed.

C. ***Restructuring costs***

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

D. ***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 adopted SFAS 87, Employer’s Accounting for Pensions, when calculating income according to US 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.

E. ***Pension premium refund***

In 2000, Alecta (former SPP), a Swedish insurance company, announced a refund of pension premiums paid, of which a portion was refunded during the year. In accordance with Swedish accounting practice, the total refund was credited to income. In accordance with US GAAP, only the amount Alecta actually paid is credited to income.

During 2001 the Company has received the major part of the portion not refunded in 2000. In accordance with US GAAP, this amount is credited to income.

F. ***Sale-leaseback of property***

During 2000 and 2001, the Company sold real and personal property which was leased back to subsidiaries and treated as an operating lease. 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 US 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.

G. ***Hedge accounting***

The Company adopted SFAS 133, Accounting for Derivative Instruments and Hedging Activities, as amended, on January 1, 2001, for calculating income and equity according to US GAAP. SFAS 133 requires Ericsson to recognize all derivatives as either assets or liabilities measured at fair value. Adoption of SFAS 133 resulted 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 on January 1, 2001.

Under SFAS 133 for qualifying derivatives designated as a cash flow hedge the gain or loss is reported in other comprehensive income and effects net income first when the hedged exposure also affects this income. The ineffective portion of the gain and loss affects net income immediately.

According to Swedish accounting practice forward currency exchange contracts and options, which are used to hedge firm commitments and budgeted cash flows regarding sales and purchases, are both accounted for as hedges. Consequently, they are valued in a manner reflecting the accounting for the hedged position and are not valued at market.

According to US GAAP valid for 2000 and 1999, contracts and options not related to firm commitments are valued at market.

H. ***Other***

In-process research and development

Under US 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.

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 US GAAP. Depreciation charges relating to such items have been reversed to income.

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 US GAAP, and depreciated as the assets concerned. Capitalization amounting to SEK 64 million (SEK 88 million in 2000; SEK 81 million in 1999) has increased income, and amortization amounting to SEK 64 million (SEK 79 million in 2000; SEK 151 million in 1999) was charged against income for the period when calculating income in accordance with US GAAP.

I. ***Deferred Income Taxes***

Deferred tax is calculated on all US GAAP adjustments to income, and the US GAAP balance sheet reflects the gross recognition of deferred tax assets and liabilities.

J. ***Adjustment of Net Income***

Application of US GAAP as described above would have had the following 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 (loss) **(in SEK million, except per share data)**	**1999**	**2000**	**2001**
Items increasing reported net income (loss)			
Pensions	(416)	(146)	197
Pension premium refund	-	(856)	809
Capital discount on convertible debentures	116	147	116
Other	1,194	371	129
Deferred income taxes	(1,251)	(2,005)	2,014
	(357)	(2,489)	3,265
Items decreasing reported net income (loss)			
Capitalization of software development costs			
to be sold	2,449	3,685	(1,784)
for internal use	1,311	448	(351)
Sale-leaseback	-	(1,361)	(815)
Restructuring costs	400	2,700	(1,642)
Hedge accounting	(694)	(608)	(2,233)
	3,466	4,864	(6,825)
Net increase/decrease in net income (loss)	3,109	2,375	(3,560)
Net income (loss) as reported in the consolidated income statement	12,130	21,018	(21,264)
Net income (loss) per US GAAP before cumulative effect of accounting change	15,239	23,393	(24,824)
Earnings (loss) per share per US GAAP, diluted before cumulative effect of change of accounting principle	1.92	2.94	(3.14)*

Cumulative effect of accounting change, net of taxes	-	-	421
Net income (loss) per US GAAP after cumulative effect of accounting change	15,239	23,393	(24,403)
Reported earnings (loss) per share, diluted	1.54	2.65	(2.69)*
Earnings (loss) per share per US GAAP, diluted, after cumulative effect of accounting change	1.92	2.94	(3.09)*

* Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

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 US GAAP securities available for sale that have readily determinable fair values shall be measured at fair value in accordance with SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities". Unrealized gains and losses shall be included in other comprehensive income.

L. *Accounts and customer financing receivables and related borrowings*

Under Swedish GAAP, financial assets and liabilities are reported net when a legally enforceable right for offset exists and there is an intent to settle on a net basis or to realize the asset and settle the liability at the same time. Under US GAAP, the accounting for the offset of amounts related to these contracts is not applicable and consequently, for US GAAP purposes, the Company reported additional accounts receivable and customer financing balances, and borrowings of SEK 3,781 million as of December 31, 2001.

At December 31, 2000 an amount of SEK 1,067 million was reclassified as an asset and as a borrowing for US GAAP purposes since the transfer of accounts receivable did not meet the requirements of US GAAP for sale recognition.

M. *Comprehensive income*

The Company has adopted SFAS 130, "Reporting Comprehensive Income". Comprehensive income includes net income (loss) and other changes in equity, except those resulting from transactions with owners.

Comprehensive net income (loss) (in SEK million)	**1999**	**2000**	**2001**
Net income (loss) in accordance with US GAAP	15,239	23,393	(24,403)
Other comprehensive income (loss)			
Translation adjustments	(2,442)	2,326	2,710
Translation adjustments for sold/liquidated companies	1	9	5
Net gain on cash flow hedges	-	-	2,096
Hedging for investments	53	(500)	(833)
Unrealized gains and losses on securities available-for-sale	8,527	(1,847)	(6,424)
Minimum pension liability	(47)	25	(392)
Deferred income taxes	(2,403)	657	1,445
Cumulative effect of accounting change, net (see G)	-	-	(1,665)
Total other comprehensive income (loss)	3,689	670	(3,058)
Comprehensive income (loss) in accordance with US GAAP	18,928	24,063	(27,461)

Adjustment of Stockholders' Equity			
Increases			
Capitalization of software development costs			
to be sold	13,193	16,878	15,094
for internal use	1,311	1,759	1,408
Unrealized gains and losses on available-for-sale securities	8,527	6,680	255
Pensions	422	300	99
Capitalization of interest, net after cumulative depreciation	202	211	211
Restructuring costs	400	3,100	1,458
	24,055	28,928	18,525

Reductions			
Capital discount on convertible debentures	(566)	(419)	(303)
Pension refund	-	(856)	(47)
Sale-leaseback	-	(1,361)	(2,176)
Deferred income taxes	(6,731)	(8,197)	(4,487)
Hedging	276	(332)	(2,196)
Other	(594)	(232)	(102)
	7,615	11,397	(9,311)
Adjustment of stockholders' equity, net	16,440	17,531	9,214
Reported stockholders' equity	69,176	91,686	68,587
Stockholders' Equity according to US GAAP	85,616	109,217	77,801

Adjustment of certain balance sheet items according to US GAAP

(in SEK million)	**As per reported Swedish GAAP Balance Sheet**			**As per US GAAP**		
	Dec. 31, 1999	**Dec 31, 2000**	**Dec 31, 2001**	**Dec. 31, 1999**	**Dec 31, 2000**	**Dec 31, 2001**
Intangible assets	10,548	12,833	13,066	24,828	31,343	29,481
Tangible assets	24,974	23,104	16,641	24,799	23,201	16,862
Other investments	1,824	2,557	3,101	10,351	9,237	3,356
Long-term customer financing	10,561	13,583	7,933	10,561	13,583	10,651
Accounts receivable	65,862	77,209	57,236	65,862	78,816	58,299
Other receivables	30,255	41,702	39,171	32,161	42,539	39,124
Minority interest in equity	2,316	2,901	3,653	2,311	2,893	3,652
Provisions*	21,898	26,740	32,935	29,835	33,229	35,865
Convertible debentures	5,453	4,347	4,437	6,019	4,765	4,740
Other current liabilities	42,575	49,192	45,600	42,175	52,492	51,060
Long-term liabilities to financial institutions	6,966	7,957	7,906	6,966	7,957	10,624
* Of which short-term	12,824	14,576	20,306	14,682	15,315	20,245

The Swedish GAAP balance sheet, including the amounts in the above presentation, reflect the restatement discussed under "Accounting Principles, Restatement of financial statements". For purposes of US GAAP the same adjustments were made to appropriately consolidate finance entities that were not previously consolidated.

N. ***Statement of Cash Flows***

The Company follows SFAS 95 when preparing the Statement of Cash Flows, except that it considers cash, bank and short-term investments with due dates within 12 months as cash and cash equivalents, rather than within 3 months as required by SFAS 95. Applying this definition would mean following adjustments of reported cash, with the offsetting difference reflected in cash flow from investing activities in the Statement of Cash Flows:

Consolidated

(in SEK million)	**1999**	**2000**	**2001**
Short term cash investments, cash and bank, as reported	29,969	35,771	68,924
Adjustment for items with maturity for 4-12 months	(9,731)	(16,129)	(28,182)
Cash and cash equivalents as per US GAAP	20,238	19,642	40,742

O. *Stock compensation plan*

The Company, as permitted under SFAS 123 "Accounting for Stock Based Compensation", applies Accounting Principles Board Opinion 25 ("APB 25") and related interpretations in accounting for its plans under US 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 SFAS 123 for its stock option plans, net income (loss) and earnings (loss) per share in accordance with US GAAP would have been changed to the pro forma amounts indicated below:

Consolidated

(in SEK million)	1999	2000	2001
Net income (loss)			
Net income per US GAAP before cumulative effect of accounting change	15,239	23,393	(24,824)
Net income, pro forma, per US GAAP before cumulative effect of accounting change	15,239	21,882	(26,165)
Earnings (loss) per share, diluted			
Earnings (loss) per share per US GAAP before cumulative effect of accounting change	1.92	2.94	(3.14)*
Earnings (loss) per share, pro forma, per US GAAP before cumulative effect of accounting change	1.92	2.75	(3.31)*

* Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

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

	1999	2000	2001
Expected dividend yield	-	1.0%	0.6%
Expected volatility	-	35.4%	40.2%
Risk-free interest rate	-	6.0%	5.5%
Expected life of option(in years)	-	3.1	4.8

Note 25. Tax assessment values (in Sweden)

(in SEK million)	Consolidated			Parent company	
	1999	2000	2001	2000	2001
Land and land improvement	385	50	24	28	24
Buildings	2,656	216	-	7	-

Note 26. Special information regarding the Parent company

Sales of the Parent company in 2001 were SEK 1,374 million (SEK 1,195 million in 2000), of which exports accounted for 100 percent (100 percent also in 2000). Consolidated companies were customers for 0 percent of the Parent company's sales (0 percent also in 2000), while 53 percent (40 percent in 2000) of the Company's total purchases of goods and services were from such companies.

The Parent company has guaranteed up to an amount of SEK 0.2 million for loans obtained by employees.

Note 27. Average number of employees and remuneration in 2001, 2000 and 1999

Average number of employees

Consolidated	1999			2000			2001		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Europe*, Middle East and Africa	51,716	20,196	71,912	48,648	19,175	67,823	48,714	18,428	67,142
North America	8,189	3,985	12,174	8,903	4,532	13,435	6,947	2,910	9,857
Latin America	6,571	2,054	8,625	5,568	2,238	7,806	4,969	1,787	6,756
Asia Pacific	7,826	4,429	12,255	8,497	3,992	12,489	7,894	3,770	11,664
Total	**74,302**	**30,664**	**104,966**	**71,616**	**29,937**	**101,553**	**68,524**	**26,895**	**95,419**
*Of which Sweden	30,254	12,939	43,193	26,726	11,153	37,879	27,703	11,432	39,135
*Of which EU	47,368	18,868	66,236	44,164	17,685	61,849	44,144	16,982	61,126

Parent Company	2000			2001		
	Men	Women	Total	Men	Women	Total
Europe*, Middle East and Africa	972	435	1,407	1,237	516	1,753
Latin America	5	2	7	7	3	10
Total	**977**	**437**	**1,414**	**1,244**	**519**	**1,763**
*Of which Sweden	319	366	685	380	465	845
*Of which EU	319	366	685	380	465	845

Remuneration

Wages and salaries and social security expenses (in SEK million)	Consolidated			Parent company	
	1999	2000	2001	2000	2001
Wages and salaries	37,068	38,970	41,227	631	795
Social security expenses	11,305	13,161	14,293	384	484
Of which pension costs	2,151	2,062	3,704	289	345

Wages and salaries per geographical area (in SEK million)	Consolidated			Parent company	
	1999	2000	2001	2000	2001
Europe*, Middle East and Africa	25,998	26,455	27,908	629	790
North America	6,360	6,322	6,910	-	-
Latin America	1,816	2,502	2,572	2	5
Asia Pacific	2,894	3,692	3,837	-	-
Total	37,068	38,971	41,227	631	795
* Of which Sweden	14,308	14,576	14,954	425	488
* Of which EU	24,415	24,665	25,679	425	488
Board of Directors, the President, the former President and present and former Executive Vice Presidents				83	118
(of which bonus and similar paid for 2000 and 1999, respectively)				(8)	8.4

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	Exercise price, SEK	Employees affected
1999	1.4 million 7-year employee call options issued by Ericsson	In three lots (30/40/30%), 3-5 years, respectively, after grant to year 7	212.81	1,800
2000	50.4 million 7-year employee call options issued by Ericsson	In three lots, ? per year, 1-3 years, respectively, after grant to year 7	132.80	8,000
2001	47.5 million employee call options issued by Ericsson	In three lots, ? per year, 1-3 years, respectively, after grant to year 7	64.00 and 57.00 (two grants)	15,000

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, 6.7 million stock options have been issued for hedging of social security costs. The 2001 options were granted on 14 May 2001 (44.9 million) and 19 November 2001 (2.6 million).

The dilutive effect on earnings per share for 2001 of outstanding employee stock option plans was less than 0.1 percent.

Remuneration to members of the Board and the Corporate Management

During the year the following fees have been paid to the Directors appointed by the Annual General Meeting: the Chairman SEK 2,500,000, Deputy Chairmen SEK 750,000 each and other Directors SEK 500,000 each. In addition, each such Director serving on a Board committee has received a fee of SEK 100,000.

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 1,000 per meeting was paid to the employee representatives of the Board. Further, employee representatives being also members of a committee of the Board received a fee of SEK 100 for each committee meeting.

The salary paid and the value of benefits provided to Kurt Hellström in his capacity as President and CEO amounted to SEK 16,941,114.

Sven Christer Nilsson, the former President, was entitled to a severance pay from July 7, 1999 up to July 8, 2001, in the aggregate amounting to SEK 10,664,303. During 2001, severance pay amounting to SEK 3,642,604 was paid to the former President.

The following rules regarding severance pay and pension apply to the President, the 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 and the 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.

The following principles apply to other members of the Corporate Management:

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, former and present Executive Vice Presidents amounted to SEK 45.5 million during the year.

Note 28. Fees to auditors

Year 1999 (in SEK million)	PricewaterhouseCoopers	KPMG	Others	Total
Fees to auditors	32	4	7	43
Fees for other services	101	18	-	119
Total fees	133	22	7	162

Year 2000 (in SEK million)	PricewaterhouseCoopers	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

Year 2001 (in SEK million)	PricewaterhouseCoopers	KPMG	Others	Total
Audit fees				
Parent company	4	-	-	4
Other companies	46	5	2	53
	50	5	2	57
Fees for other services				
Parent company	8	-	n/a	8
Other companies	100	5	n/a	105
	108	5	n/a	113
Total fees	158	10	2	170

Note 29. Changes in Stockholders' Equity

(in SEK million)	Capital stock (par value A and B shares)	Reserves not available for distribution	Retained earnings	Total
Balance as 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 share s		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

(in SEK million)	Capital stock (par value A and B shares)	Reserves not available for distribution	Retained earnings	Total
Balance as at December 31, 1999	4,89	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* and 20,466,176 B shares upon conversion of convertible debentures at a conversion of 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 as at December 31, 2000	7,910	32,600	51,176	91,686

* After split 4:1

(in SEK million)	Capital stock (par value A and B shares)	Reserves not available for distribution	Retained earnings	Total
Balance as at December 31, 2000	7,910	32,	51,	91,
Cash dividend (SEK 0.50 per share)			(3,	(3,
Repurchase of own stock				
Stock issue	155			
Transfer from available retained earnings		(5,	5	
Issue of 168,395 B shares upon conversion of convertible debentures at a conversion price of SEK 59				
Capital discount				
Changes in cumulative translation adjustments		2		2
Net Income (loss)			(21,2	(21,2
Balance at December 31, 2001	8	29,	30,	68,

Note 30. Additional Information to Note 24, Comprehensive Income

2001 (in SEK million)	Cumulative translation adjustments	Hedging for investments	Unrealized gains and losses on available-for-sale securities	Net gain/loss on cash flow hedge	Minimum pension liability	Accumulated other comprehensive income
Opening balance	966	(1,106)	4,809	0	(22)	4,647
Effect on change in accounting principle				(1,665)		(1,665)
Changes during the period	2,715	(600)	(4,625)	1,509	(392)	(1,393)
Closing balance	3,681	(1,706)	184	(156)	(414)	1,589

Note 31. Additional Information to Note 24

Income per share in accordance with US GAAP reported in Note 24 represents fully diluted income per share. Basic income per share in accordance with US GAAP is as follows:

	1999	2000	2001
Basic earnings per share SEK after cumulative effect of accounting change	1.95	2.97	(3.09)
Average number of shares outstanding (million).....................	7,817.2	7,869.4	7,908.7

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, 1999, 2000 and 2001 (SEK million)

Description (in SEK million)	1999	2000	2001
Balance beginning of period..	5,365	7,016	5,525
Charged (credited) to cost and expenses	5,865	1,417	3,732
Charged (credited) to other accounts....................................	11	(243)	267
Deductions...	(4,225)	(2,665)	(2,946)
Balance end of period...	7,016	5,525	6,578

Note 32. Recent accounting pronouncements

FAS 141 and 142

In June 2001, the Financial Accounting Standards Board (FASB or the "Board") issued Statement of Financial Accounting Standards No. 141 (SFAS 141), "Business Combinations", and No. 142 (SFAS 142), "Goodwill and Other Intangible Assets", collectively referred to as the "Standards". SFAS 141 supersedes Accounting Principles Board Opinion (APB) No. 16, "Business Combinations". The provisions of SFAS 141 (i) require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, (ii) provide specific criteria for the initial recognition and measurement of intangible assets apart from goodwill, and (iii) require that unamortized negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. SFAS 141 also requires that upon adoption of SFAS 142 the Company reclassify the carrying amounts of certain intangible assets into or out of goodwill, based on certain criteria. SFAS 142 supersedes APB 17, "Intangible Assets", and is effective for fiscal years beginning after December 15, 2001. SFAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provisions of SFAS 142 (i) prohibit the amortization of goodwill and indefinite-lived intangible assets, (ii) require that goodwill and indefinite-lived intangibles assets be tested annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and/or indefinite-lived intangible assets may be impaired), (iii) require that reporting units be identified for the purpose of assessing potential future impairments of goodwill, and (iv) remove the forty-year limitation on the amortization period of intangible assets that have finite lives.

The provisions of the Standards also apply to equity-method investments made both before and after June 30, 2001. SFAS 141 requires that the unamortized deferred credit related to an excess over cost arising from an investment that was accounted for using the equity method (equity-method negative goodwill), and that was acquired before July 1, 2001, must be written-off immediately and recognized as the cumulative effect of a change in accounting principle. Equity-method negative goodwill arising from equity investments made after June 30, 2001 must be written-off immediately and recorded as an extraordinary gain, instead of being deferred and amortized. SFAS 142 prohibits amortization of the excess of cost over the underlying equity in the net assets of an equity-method investee that is recognized as goodwill.

The adoption of SFAS 141 did not have an impact on the business, results of operations, and financial condition of the Company.

The Company is required to adopt the provisions of SFAS 142 effective from January 1, 2002. The Company is in the process of preparing for its adoption of SFAS 142 and is making the determinations as to what its reporting units are and what amounts of goodwill, intangible assets, other assets, and liabilities should be allocated to those reporting units. The Company expects that it will no longer record SEK 0.9 billion of annual amortization relating to its existing goodwill.

The Company has determined that it does not have any intangible assets that have an indefinite life. The Company does not have any negative goodwill balances that will be written off upon adoption of SFAS 141.

SFAS 142 requires that goodwill be tested annually for impairment using a two-step process. The first step is to identify a potential impairment and, in transition, this step must be measured as of the beginning of the fiscal year. The second step of the goodwill impairment test measures the amount of the impairment loss (measured as of the beginning of the year of adoption), if any, and must be completed by the end of the Company's fiscal year. The Company is in the process of performing its transition impairment test and has not yet determined the full impact that the adoption of SFAS 142 will have on the business, results of operations, and financial condition of the Company. Any impairment loss resulting from the transitional impairment tests will be reflected as the cumulative effect of a change in accounting principle.

FAS 143

In August 2001, the FASB issued SFAS No. 143, "Accounting for Obligations Associated with the Retirement of Long-Lived Assets". The provisions of SFAS No. 143 apply to all entities that incur obligations associated with the retirement of tangible long-lived assets. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002 and will become effective for the Company on January 1, 2003. The effects of this standard, if any, are not yet evaluated.

FAS 144

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 provides guidance on accounting for the impairment or disposal of long-lived assets. The objectives of the statement are to address issues relating to the implementation of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", and to develop a model for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company is required to adopt the provisions of SFAS 144 effective from January 1, 2002. The effects of this standard, if any, are not yet evaluated by the Company.

FAS 145

On April 30, 2002, the FASB issued SFAS No. 145, "Revision of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Connections". Among other amendments and rescissions, SFAS No. 145 eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect, unless such gains and losses meet the criteria in paragraph 20 of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operation – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". Generally, SFAS 145 is effective for transactions occurring after May 15, 2002. The effects of this standard, if any, are not yet evaluated by the Company.

Note 33. Subsequent Events

Additional restructuring measures targeting annual cost savings of SEK 20 billion were announced in April 2002 and are being implemented.

In February 2002, the rating agency, Moody's, lowered its long term rating to Baa2. The negative outlook remained unchanged.

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)

July 10, 2002

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 10.1