

# Letter from the Chairman

## Dear shareholder,

This year was marked by a series of dramatic macro-economic events which has created a difficult time for the world economy. However, Ericsson remains well positioned and strong relative to its peers and I can assure you that all Ericsson employees are working hard to bring value to customers – the ultimate path to success for the Company and in turn for you.

Ericsson's situation today is quite different from what it was during the market downturn earlier this decade. The Company now has a healthy balance sheet and strong cash position. In addition, Ericsson refinanced maturing loans and secured new loans before the financial market collapse – a decision that now offers benefits in terms of greater liquidity, making it possible to pursue opportunities created by the market situation.

Ericsson's strategy to leverage its leading position and technological prowess to invest in future growth areas remains unchanged. However, adjustments to the global macro-economic environment will be necessary in the near term and the Company's cost base will be reduced to maintain margins. Utmost care will be given to preserve Ericsson's longer-term prospects and technology leadership.

The Board work in 2008 had a significant focus on strategic matters. A major decision was taken to form a joint venture, merging Ericsson's mobile platform activities and STMicroelectronics' NXP-Wireless unit, to create a world-leading company in semiconductors and platforms for mobile applications. The JV will build on the current relationship and will have a strong combined offering and a broad customer base.

Operator and consumer sensitivity to the macro-economy is an important factor for Ericsson, closely monitored by the Board. The main impact observed so far has been a weakening demand for new mobile phones and the Sony Ericsson management is aggressively addressing this development, with significant cost reductions underway to restore profitability.

The debate around executive compensation has recently intensified following the macro-economic developments. Benchmarking with similar global companies shows that we have a conservative, but still competitive compensation scheme that rewards performance and aligns employee interests with the interests of shareholders.

Our principles for employee remuneration – performance, competitiveness, fairness – mirrors Ericsson's core values of respect, professionalism and perseverance. I am confident that these principles are appropriate and reasonable even during these uncertain times.



The demand for mobile communications should only increase with technological advancements lowering costs for affordability to more and more consumers. By making mobile communications available to everyone, Ericsson is fundamentally contributing to socio-economic development in emerging markets and to a better environment globally. I am particularly proud of this accomplishment and encourage the Company to continue on this path.

I sincerely appreciate your support during the year.

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

Michael Treschow  
Chairman of the Board