Information on the Company

Company history, development and strategy

Introduction

Our origins date back to 1876 when Lars Magnus Ericsson opened a small workshop in Stockholm to repair telegraph instruments. That same year in the United States, Alexander Graham Bell filed a patent application for the telephone. Lars Magnus Ericsson soon recognized the great potential of voice-based telecommunications and realized that the technology could be improved. He started to develop and sell his own telephone equipment and within a few years reached an agreement to supply telephones and switchboards to Sweden's first telecom operator. Stockholm soon had the highest telephone density in the world.

Today, Ericsson is a leading provider of communications equipment and related professional services and multimedia solutions to operators of mobile and fixed networks worldwide. Over 1,000 networks in more than 175 countries utilize our equipment and we are one of the few companies worldwide that support end-to-end solutions for all the main global standards of the GSM/WCDMA track.

We invest heavily in R&D and actively promote standardization and open systems. As a result, we have a long history of innovation and pioneering of future technologies for more efficient and higher quality telecommunications.

Also reflecting our ongoing commitment to technology leadership, we have one of the industry's most comprehensive intellectual property portfolios containing approximately 24,000 patents.

> Ericsson is a leading provider of communications equipment and related professional services and multimedia solutions.

Contents

Technical milestones

Year	Milestone
1878	Telegraph to telephone
1923	Manual switching to automatic switching
1956	First mobile phone system
1968	Electro-mechanical to computer control
1978	Analog switching to digital switching
1981	Fixed communications to mobile communications
1991	1G analog to 2G digital mobile technology
1998	Integration of voice and data in mobile networks
1999	Narrowband circuit to broadband packet switching
1999	Fixed telephony softswitch
2001	2G narrowband to 3G wideband mobile technology
2003	Mobile softswitch
2004	Launch of WCDMA (3G) networks in Western Europe
2005	Launch of HSDPA mobile broadband networks in North America
2006	Launches of HSPA mobile broadband networks globally
2007	Fiber access, VDSL and IPTV in broadband networks
2008	Multi-standard radio base stations and LTE technology

Vision, goal and strategy

Ericsson's vision is to be the prime driver in an all-communicating world – a world in which any person can use voice, text, images and video to share ideas and information whenever and wherever he/she wants.

Our business goal is to create value for our stakeholders and generate growth, profit and cash flow that are sustainable over the longer term. We measure performance in three fundamental metrics: customer satisfaction, employee satisfaction and financial returns for our owners. We believe that highly satisfied customers, empowered employees and an enduring capability for value creation for our shareholders help to assure a competitive advantage.

We strive to be the preferred business partner to our customers and we are a major supplier to most of the world's leading mobile operators and many of the world's leading wireline operators. We believe that our ability to offer superior end-to-end solutions – network infrastructure, professional services, multimedia solutions and core handset technology – together with our in-depth knowledge of consumer requirements, make us well positioned to assist operators with their network development and operations.

We are a market leader in GSM and WCDMA/HSPA network equipment and related rollout services, systems integration and managed services. We are growing in the area of wireline broadband networks, in metro Ethernet solutions and in optical transport, and we are a provider of multimedia solutions for both wireless and wireline operators.

Our strategy to realize our vision and business goal is to:
- excel in network infrastructure,
- expand in services, and
- establish a position in multimedia solutions

to make people's lives easier and richer, provide affordable communication for all and enable new ways to do business.

Successful execution of the strategy is built on (1) addressing customer needs; (2) innovation for technology leadership and (3) operational excellence in all we do.

Addressing customer needs

The foundation for our business is the strong and long-term relationships we have with our customers, and we work closely to understand their business and technology needs. Needs naturally vary among the customer base, however, with some apparent general needs:
- From a market perspective, operators need solutions and support in emerging markets for managing the growing voice subscriber base and traffic, and in mature markets for managing the growing mobile broadband subscriber base and data traffic.
- From a technology perspective, the ongoing migration to one all-IP-based broadband network combining broadband Internet, voice and image traffic is a primary challenge. Further, operators desire energy-efficient multi-technology solutions, driven by environmental and cost improvement opportunities as well as ability for effective forward migration.
- From an operational perspective, operators seek solutions and support to gain flexibility, reduce operating expenses and improve efficiency for network operation and maintenance.

With our significant scale advantage, tailored end-to-end solutions and local presence we are able serve as a true partner – providing fast time to market (TTM) and competitive total cost of ownership (TCO) – and help our customers to fulfill their business objectives.

Innovation for technology leadership

Innovation is an important element of our corporate culture and is key to our competitiveness and future success. We have a long tradition of developing innovative communication technologies, including technologies that form the base for industry standards. By early involvement in creating new standards and technologies we are often first to market with new solutions – a distinct competitive advantage.

Within our ambitious R&D program, we have approximately 19,800 (19,300) employees in 17 (17) countries worldwide and we invested SEK 31 billion (excluding SEK 3 billion restructuring charges) or 15 percent of sales on research and development during 2008. The vast majority is invested in product development, of which the majority in mobile communications network infrastructure. We have continued to invest in

General facts on the company

Legal name: Telefonaktiebolaget LM Ericsson (publ)
Organization number: 556016-0680
Legal form of the Company: A Swedish limited liability company organized under the Swedish Companies Act. The terms "Ericsson", "the Company", "the Group", "us", "we", "our" all refer to Telefonaktiebolaget LM Ericsson and its subsidiaries.
Country of incorporation: Sweden. The Company was incorporated on August 18, 1918, as a result of a merger between AB LM Ericsson & Co. and Stockholms Allmänna Telefon AB.
Domicile: Our registered address is Telefonaktiebolaget LM Ericsson, SE–164 83 Stockholm, Sweden. Our headquarters are located at Torshamnsgatan 23, Kista, Sweden.

Our telephone number is +46 10 719 0000.
Our web site is www.ericsson.com.
Agent in the US: Ericsson Inc., Vice President Legal Affairs, 6300 Legacy Drive, Plano, Texas 75024. Telephone number: +1 972 583 0000.
Shares: Our Class A and Class B shares are traded on NASDAQ OMX Stockholm.
In the United States, our American depository shares (ADS), each representing 1 underlying Class B share, are traded on NASDAQ.
Parent Company operations: The business of the Parent Company, Telefonaktiebolaget LM Ericsson, consists mainly of corporate management, holding company functions and internal banking activities. Parent Company operations also include customer credit management activities performed by Ericsson

strategically important areas of broadband access, mobile systems like LTE, converged networks, service layer, IP technology and multimedia. Our ability to generate world-class innovations is enhanced through cooperation with a variety of partners including customers, universities and research institutes.

Intellectual property rights (IPR) and licensing

Through many years of involvement in the development of new technologies, we have built up a considerable portfolio of intellectual property rights (IPR) relating to telecommunications technologies. As of December 31, 2008, we held approximately 24,000 (23,000) patents worldwide, including patents essential to the standards GSM, GPRS, EDGE, WCDMA, HSPA, MBMS, TD-SCDMA, cdma2000, WiMAX and next-generation LTE. We also hold essential patents for many other areas, e.g IMS, Voice-over-IP, ATM, Messaging, WAP, Bluetooth, SDH/SONET, WDM and Carrier Ethernet.

Our intellectual property rights are valuable business assets. We license these rights to many other companies including infrastructure equipment suppliers, embedded module suppliers, handset suppliers and mobile application developers, in return for royalty payments and/or access to additional intellectual property rights. In addition, we acquire rights via licenses to utilize intellectual property rights of third parties. We believe that we have access to all related patents that are material to our business in part or in whole.

For more information please see Risk Factors, "Strategic and Operational Risks" and Board of Directors' Report, "Research and Development".

> "Innovation is an important element of our corporate culture and is key to our competitiveness and future success."
>
> Håkan Eriksson, CTO

Operational excellence in all we do

We are convinced that operational excellence is a competitive advantage. Therefore we are continuously focusing on how to improve our internal processes, support systems and ways of working. Our mission to take our customers forward in the best possible way requires well developed change capabilities, efficient and effective processes that consistently yield innovative, high-quality products and services with low cost of ownership.

No matter how far we have come, we will always continue to drive operational excellence across the company. By continuously learning from our experiences and the needs of our customers we will become an even better company.

Credit AB on a commission basis.

Subsidiaries and associated companies: For a listing of our significant subsidiaries, please see Notes to the Parent Company Financial Statements – Note P9, "Investments". In addition to our joint venture with SONY Corporation, we are engaged in a number of other minor joint ventures, cooperative arrangements and venture capital initiatives. For more information regarding risks associated with joint ventures, strategic alliances and third party agreements please see Risk Factors, "Strategic and Operational Risks".

Documents on display: We file annual reports and other information (normally in Swedish only) for certain domestic legal entities with Bolagsverket (Swedish Companies Registration Office) pursuant to Swedish rules and regulations.

You may order any of these reports from their web site www.bolagsverket.se. If you access these reports, please be aware that the information included may not be indicative of our published consolidated results in all aspects. Other than information related to the Parent Company, only consolidated numbers for the Group totals are included in our reports.

Filing in the US: Annual reports and other information are filed with the Securities and Exchange Commission (SEC) in the United States pursuant to the rules and regulations that apply to foreign private issuers. Electronic access to these documents may be obtained from the SEC's website, www.sec.gov/edgar/searchedgar/webusers.htm, where they are stored in the EDGAR database.

Market trends

As the global economy braces for a contraction in the near term, we look longer term to the opportunities of broadband everywhere and the operator investments required for network transformation to all IP.

Network infrastructure is addressing operators' capex while professional services mainly addresses operators' opex. Mobile phones are addressed via the Sony Ericsson JV directly to consumers but most often with operators as distributors. Mobile platforms are sold to handset and PC manufacturers.

Ericsson believes the following key technologies will drive operator spending for the next several years: mobile and fixed broadband access; IP and multi-service switching; IP multimedia subsystems (IMS) based services like IPTV and VoIP; metro optical and radio transmission. Ericsson expects operators to accelerate the transition from legacy technologies such as TDM (circuit) switching and ATM (packet) in favor of IP- (Ethernet) based technologies for both switching and transmission; all areas in which the Company continues to invest heavily.

We expect the Company to continue to benefit from the underlying demand drivers for communications services, especially mobile broadband, that improve productivity and contribute to sustainable economic, societal and environmental development.

Mobile communication

Mobile communication has become the consumer service of choice for the majority of the world's population over the last few years. We expect people to continue to use their mobile phones, even during economic downturns . And, with the opportunities made available by high-speed mobile data services, we believe there is still considerable growth potential for the mobile communications industry.
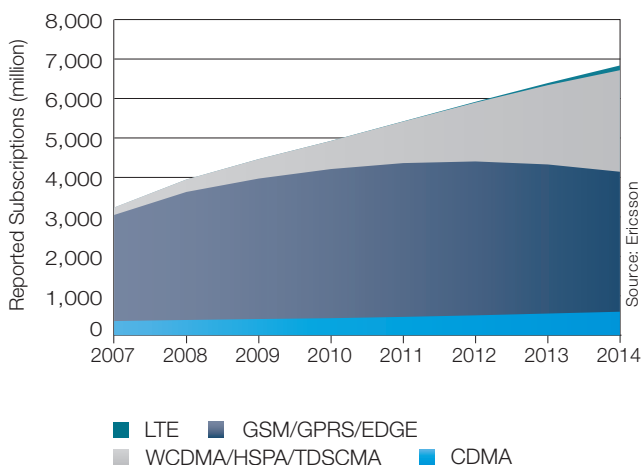
2008 was another growth year for mobile communications with some 675 (586) million new subscriptions and approximately 1,190 (1,100) million mobile phones shipped. Using mobile operator capital expenditures (capex) estimates as a proxy for the mobile network equipment market, we believe the mobile systems market grew somewhat better than the planning assumption of almost zero growth in 2008.

At the end of 2008, the 4.0 (3.3) billion mobile subscriptions worldwide represented a global subscription penetration of 59 (49) percent. (Note: The number of actual individual mobile subscribers is significantly lower, perhaps some 15–20 percent but possibly more, because of inactive subscriptions and people having multiple subscriptions.) Of these subscriptions, nearly 290 (180) million subscriptions were on 264 (197) mobile broadband (3G/WCDMA) networks, out of which Ericsson is a supplier of 149 (129).
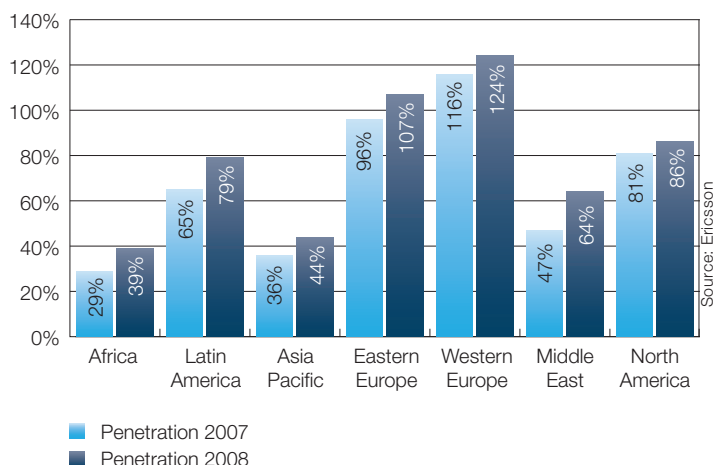
The High Speed Packet Access (HSPA) version of 3G/WCDMA is now deployed within 247 (166) commercial networks in 110 (75) countries. Ericsson is a supplier of 115 (81) of these networks, which represent the majority of HSPA users. Despite this growth, the number of subscribers covered by commercial 3G/WCDMA networks is only around one third of those covered by 2G/GSM services. This provides a significant opportunity for equipment suppliers to upgrade 2G networks to 3G where Ericsson has already secured a market-leading position.

The Company expects the number of mobile subscriptions to grow to more than 4.5 billion during 2009. This will create continued need for new and expanded mobile networks and corresponding professional services. Although GSM subscriptions continue to represent the majority of the mobile systems market, GSM growth will slow as 3G/WCDMA is accelerating.

MOBILE SUBSCRIPTIONS

Source: Ericsson

Legend: LTE, GSM/GPRS/EDGE, WCDMA/HSPA/TDSCMA, CDMA

MOBILE SUBSCRIPTIONS PENETRATION PER REGION

Source: Ericsson

Penetration 2007 | Penetration 2008

Region	2007	2008
Africa	29%	39%
Latin America	65%	79%
Asia Pacific	36%	44%
Eastern Europe	96%	107%
Western Europe	116%	124%
Middle East	47%	64%
North America	81%	86%

Weakening economy affecting mobile handset sales

Comments from operators suggest that economic pressures are altering their priorities to pursue a number of cost reduction initiatives. Handset replacement tends to go in tandem with contract renewal. In mature markets this is operator driven via subsidies in exchange for multi-year commitments. Now, many operators are pushing SIM card-only plans to reduce subsidies and preserve cash. This is slowing the demand for replacement phones especially in the mid-to-high end price range as consumers postpone upgrading their mobile phones. The drop in replacement rates is most noticeable in Western Europe.

In emerging markets, operators subsidize multi-SIM card plans rather than handsets. This has stimulated the used phone market rather than curtailing subscription growth or mobile phone usage. With inflationary and other economic pressures rising in these markets, consumers are buying more used-phones or repairing the ones they have. There are many small enterprises whose business is retailing/wholesaling refurbished phones or repairing phones for consumers.

Sony Ericsson is responding to the decreasing demand and increased price competition with a EUR 480 million annual cost reduction program with full effect expected by the second half of 2009.

Positive correlation between broadband penetration and GDP levels

Although emerging markets represent around one third of global GDP, our network sales in emerging markets grew an estimated 15 percent and now represents more than half of the networks sales. Mature markets sales increased an estimated 4 percent. As already demonstrated by the mobile telephone, the ubiquitous availability of affordable communication services has a positive effect on a country's economy. Broadband services are expected to show similar benefits. A higher GDP level obviously enables more broadband adoption but studies of the relationship between broadband penetration and economic development indicate that broadband plays a fundamental role in accelerating the economic and social development of a country. However, inadequate fixed network infrastructure and low PC penetration inhibits fixed broadband adoption in most emerging markets. Mobile broadband networks along with suitable devices and appropriate applications can improve broadband penetration by avoiding the relatively more expensive and time consuming deployments of fixed network technologies.

Fixed and mobile broadband main market driver

We expect the number of fixed and mobile broadband subscriptions to increase by a factor of 7 between 2008 and 2014 to almost 3.5 billion. Broadband Internet access revenues for fixed operators (including cable operators) are expected to grow from 20 percent to 35 percent of total revenues in the next five years. Similarly, data's share of mobile operators' revenue, which is currently some 20 percent, is expected to account for a progressively more significant portion of global mobile revenues over the next five years.

These projections assume the cost for mobile data services aligns with subscriber expectations, i.e. data must be priced lower than voice when comparing the amount of bandwidth consumed. Operator revenues will likely become uncoupled from the traditionally linear returns on capacity provisioning for voice minutes of use growth. Hence, operators may implement cost-efficient solutions for delivering more network capacity with revenues based on service value rather than the amount of capacity. This motivates a new generation network that offers fixed and mobile convergence and leverages IP technology for a lower cost, higher performance broadband service.

Broadband access creates bottlenecks in other parts of the network

The deployment of access nodes that can connect devices at ever faster speeds quickly creates bottlenecks in other parts of the network with subscriber uptake. The increased capacity of the access nodes brings pressure on the backhaul part of the transport network. The additional backhaul capacity must be provided more dynamically and more efficiently than possible with traditional backhaul solutions. Support for multiple services is required to ensure continuity for existing services as well as new services. This enables operators to maximize investments in existing infrastructure. The dynamic nature of multi-service broadband access along with the mix of services will require changes in the network technology used – IP/Ethernet via optical fiber or microwave radio transmission will become the transport technology of choice. Ericsson already has a market leading position in microwave radio systems and with the acquisitions of Marconi and Redback is now well positioned with optical transmission systems and IP/Ethernet products.

BROADBAND SUBSCRIPTIONS

Source: Ericsson
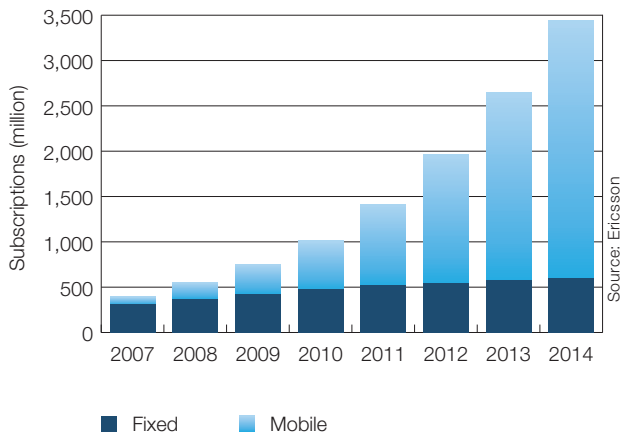
MOBILE TRAFFIC, VOICE AND DATA

Subscriber traffic on mobile access networks

Source: Ericsson
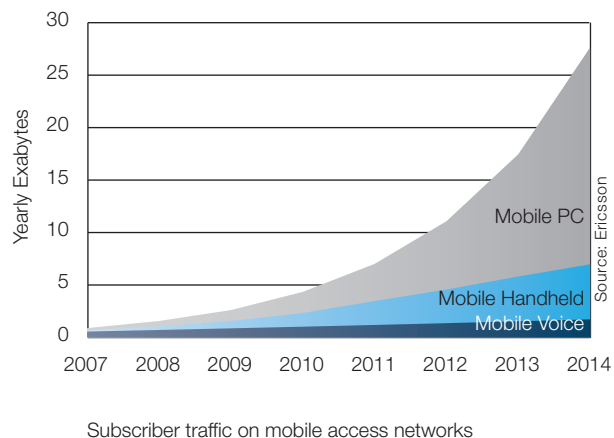
The future of TV

The vision of the television industry is a simple one: to let you watch whatever you want, whenever you want, and wherever you want, as well as to help you discover what else might be interesting to watch and to share your favorites as well as comments with other people. We believe that the best way to achieve this is to use Internet technology enhanced with telecom grade performance.

Consumers are already using the Internet to find new ways of accessing TV with interactive on-demand capabilities a basic expectation. Despite this trend, we do not expect operators to become marginalized as bit pipe providers. Efficient bit pipes will be needed, but to differentiate their services, operators will need to continue to leverage their network capabilities and this is where IMS comes into play to provide the reliability and combination of services required for differentiated services and applications.

Today some 850 million households have television services of which only 20 million are currently served by IPTV. This number is expected to grow to above 100 million by end of 2014. In the same time period, DSL- based broadband access is forecasted to grow from some 270 million to 400 million households while cable-TV-based broadband access is estimated to almost double from 90 million to 175 million households. FTTx-based broadband access is estimated to increase from 25 million households to some 90 million households. Building on the acquisitions of Tandberg Television and Entrisphere, the Company continues to invest for a leading position in IPTV and FTTx broadband access.

Mobility is changing the Internet

Today, less than 40 percent of mobile subscribers also use the Internet. However, the increasing use of high-speed applications in the fixed environment is stimulating a parallel expectation on the mobile side. When people become accustomed to using bandwidth-intensive applications at home or in the office, they tend to want them everywhere they go.

Multimedia-capable mobile Internet devices and affordable mobile broadband access are harbingers of change. Users will be able to create and discover content of personal interest and to instantaneously share ideas and information with friends and colleagues. We see mobile Internet devices helping to accelerate consumer demand for wireless Internet access.

This will have the greatest impact on emerging markets where household penetration of PCs is slightly more than 10 percent compared with 60 percent in mature markets. And there are more than three times as many households in emerging markets as in mature ones. The Company has established a product unit to provide mobile broadband connectivity for notebook PCs and mobile Internet devices. Three of the world's largest notebook manufacturers are already using Ericsson embedded modules. In addition, Intel, among others, has signed an agreement to use Ericsson's mobile broadband technology.

FIXED DATA TRAFFIC – LAST MILE
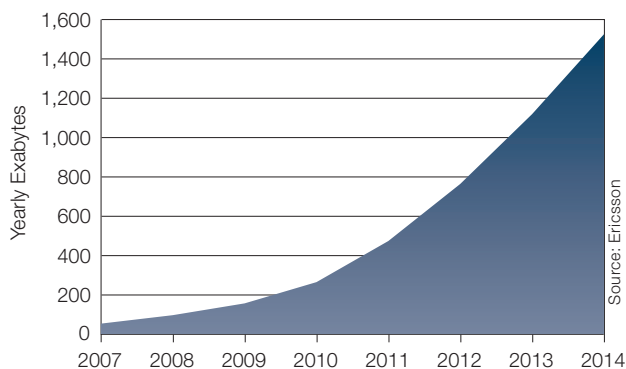
Fixed IPTV traffic - last mile access
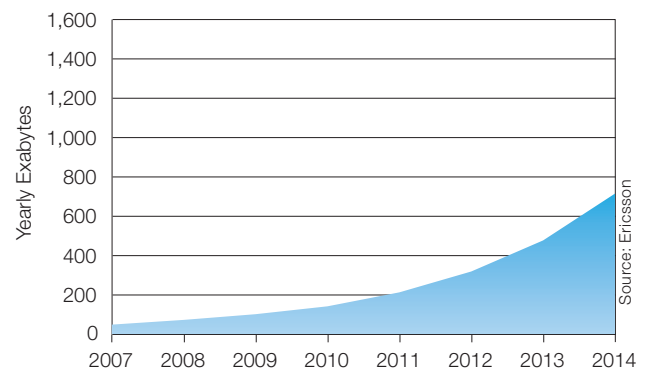
Fixed Internet traffic - last mile access

Convergence and network transformation in focus

Placing greater emphasis on smarter networks and bundled service offerings, operators have accelerated the conversion to all-IP broadband networks with increased deployments of broadband access, routing and transmission along with next-generation service delivery and revenue management systems to enable a better service to main customer segments – business, consumer and wholesale – as each requires a different and varying mix of fixed, mobile and converged services.

Ericsson has developed a network architecture that meets consumer desire as well as operator requirements for converged services and covers the device ecosystems, fixed and mobile broadband access, transport, control, applications, revenue management, services and operations management. All of the components have been integrated for a high performance and scalable end-to-end solution. Ericsson's full-service broadband solution has been built from in-house development, e.g. mobile broadband and IMS, complemented by the acquisitions of IP routing products (Redback), optical transport (Marconi), deep fiber access systems (Entrisphere) and IPTV (Tandberg). Furthermore, the Company has developed a comprehensive network transformation service that leverages professional services such as business consulting and systems integration.

Operator consolidation and network sharing

Operator consolidation continues across all regions. In the Americas, consolidation has substantially reduced the number of operators. In Europe, mergers continue as well as other types of combinations, such as network sharing and outsourcing of network operations. In other regions, operator consolidation has led to the emergence of rapidly growing pan-regional operators, particularly in the CEMA markets (Central and Eastern Europe, Middle East and Africa).
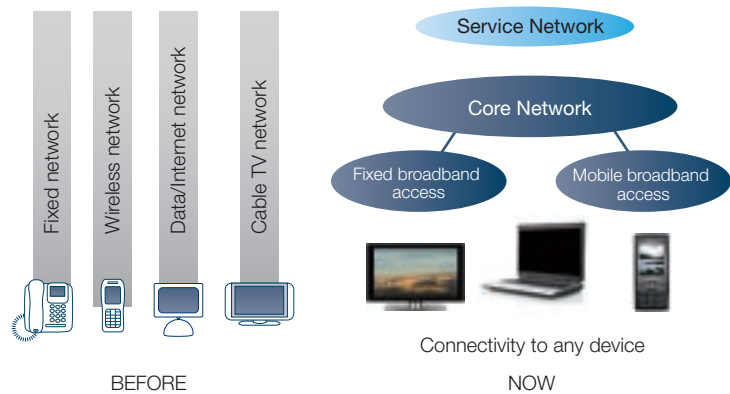
Ongoing operator consolidation, especially in Western Europe, where the technology shift for more efficient networks, as well as changing regulations, such as price caps for roaming and lower call termination fees, is affecting operator willingness and need to increase network investments in the near term. This trend is most pronounced for highly penetrated GSM networks, in which demand for upgrades and expansions has rapidly diminished as operators spend more to expand and enhance their 3G networks.

Despite the trend of operator consolidation across many regions, the number of mobile operators within a region has actually increased except in the Americas over the past several years. The introduction of mobile number portability in many markets has simplified service substitution, leading to fierce competition and declining market shares for the top two players in each market. Consequently, mobile operator margins are under pressure from the more intense competition which drives a need for lower costs to compensate.

Network sharing offers potentially significant capex and opex savings to operators. However, the overall impact of network sharing should ultimately be neutral for mobile equipment vendors. To a certain extent, short-term disruption of capital expenditure plans or re-negotiation of contracts with the network sharing companies may be somewhat compensated by increased sales of professional services, especially network integration and managed operations as well as faster coverage buildout and an earlier entry into expansion phases. Over the longer term, the majority of savings will come from shared plant and property rather than the equipment, as the equipment still has to be dimensioned for the peak traffic demand of the combined networks.

ARCHITECTURE CONCEPT-NETWORK TRANSFORMATION

BEFORE: Fixed network, Wireless network, Data/Internet network, Cable TV network

NOW: Service Network, Core Network, Fixed broadband access, Mobile broadband access — Connectivity to any device

Opportunities for managed services

Another form of consolidation is outsourcing of network operations where an operator is able to tap into the global scale offered by a company like Ericsson via managed services. Ericsson is well positioned to benefit from operator consolidation with a suite of solutions for network sharing, a well proven capability for outsourcing network operations and strong presence with consolidating companies.

Compared with network deployment services, which tend to grow more or less in line with the equipment market, demand for managed services (i.e., network operation and hosting services) as well as systems integration is growing more rapidly. The potential market for network operation services is larger than the potential market for network equipment and related deployment services. A mature operator is estimated to typically spend some 5–6 percent of annual sales on network equipment, but spends approximately 10–12 percent of sales to operate its network. More than two thirds of network operation expenses today are believed to be handled in-house by operators but network operation is increasingly being outsourced as operators realize the competitive advantages and potential cost savings. The market for such managed services is thus expected to continue to show good growth prospects.

Effects of the macro-economic slowdown

It is too early to say how the economic recession will affect Ericsson's business development but operational efficiency, a market leading position, scale and a solid balance sheet place the Company in a good position to meet tougher market conditions. Despite similarities to the 2001–2003 market downturn, we do not anticipate as major of a slowdown for the mobile telecoms industry. Several factors leading to the last downturn in operator capex are not in place today. Operators have significantly strengthened their balance sheets, growth expectations are more realistic and network utilization is materially higher. Capital intensity has been at historically low levels with many major operators for several years. We expect slowing GDP to cause less than proportionate declines in mobile and broadband revenue. We believe this for several reasons: 1) there are better substitutes for traditional fixed telephone services (e.g. mobile, VoIP) than previously; 2) term contracts and bundling make it more difficult (or at least slower) for subscribers to reduce spending; and 3) mobile communications and the Internet are much more pervasive and engrained in today's society. While most regional markets are resilient so far, some operators in Western Europe have shown a progressive deterioration in their business during the year, which has negatively affected suppliers, especially mobile phone manufacturers including Sony Ericsson.

There are, however, several aspects similar to prior downturns, such as capital preservation. Operators' need for free cash flow was the primary cause of the declines in both fixed and mobile spending on network equipment in 2001–2003 while overcapacity played a secondary role. We expect a similar dynamic in this economic cycle, but less dramatic.

We understand that certain operator spending, for example in network upgrades, is subject to deferrals if not cancellations. Even capacity expansions can be suspended for a period of time if operators choose to lower service quality levels. This was the case also 2001–2003. However, if operators do not keep their networks up to date, they run a risk of higher opex and customer churn negatively affecting revenues as well as earnings.
 The macro-economic developments are externally driven and beyond the control or the influence of the Company. But the Company does control the cost structure and is adjusting to a challenging market environment to manage through a prolonged global recession.

OPERATOR REVENUES VS GDP AND CHANGE IN CAPEX

Legend: ■ Nominal GDP growth ■ Operator total revenue growth ■ Capex growth
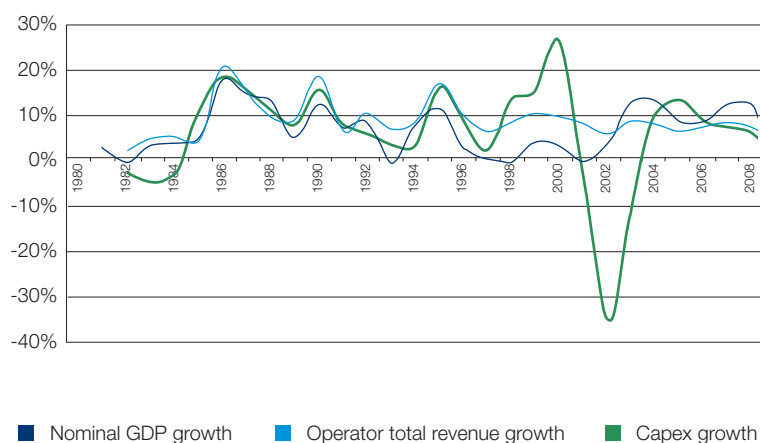
Business overview

Business segments (primary)

Ericsson is a telecommunications company developing and selling a variety of solutions aimed largely at customers in the telecommunications industry. When determining our business segments, we have looked at which market and to what type of customers our products and services are aimed, and through what distribution channels they are sold as well as to commonality regarding technology, research and development. To best reflect our business focus and to facilitate comparability with peers we report four business segments:

- Networks.
- Professional Services.
- Multimedia.
- Phones – the joint venture Sony Ericsson.

Segment Networks

Business segment Networks includes products and solutions for wireless and wireline access, core networks and transmission as well as management systems. Related network rollout services are also included.

Segment Networks accounted for 68 percent of total sales in 2008.

Wireless and wireline access

Ericsson provides wireless access solutions to network operators that enable reliable, efficient and cost effective mobile telephony networks as well as wireless broadband for mobile, nomadic and fixed users in urban and rural areas. Our leadership in GSM, WCDMA/HSPA and LTE technologies grants us to offer tailored solutions to network operators, regardless of the existing network standard used. Our radio access networks are interconnecting with devices such as mobile phones, notebooks

and PCs and can easily be upgraded with the latest radio technology to support new revenue streams at the same time as maintaining existing mobile business. These solutions support different standardized mobile technologies on the same platform, which simplifies for operators to manage the ever more complex mobile business cost-efficiently and with less effort.

The recent expansion of our wireline broadband access offering, enabled by our acquisitions of Marconi and Entrisphere, has been an important step in reinforcing our ability to address network operators as they begin integrating their fixed and mobile networks. We provide wireline access solutions, based on both fiber and copper, which make it possible for operators to efficiently modernize or expand their fixed access network business and thereby enable them to offer attractive user services such as High Definition TV, Video on Demand and other IP-based services with high demand on bandwidth and cost-efficiency.

IP core network (switching, routing and control)

The evolution to IP starts in the core network. Our core network solutions include industry-leading softswitches, IP infrastructure for edge and core routing, IP-based multimedia subsystem (IMS) and gateways. Our acquisition of Redback Networks has further strengthened our IP product portfolio with broadband routers to manage broadband, telephony, TV and mobility services.

GSM and WCDMA/HSPA share a common core network, meaning that previous investments are preserved as operators migrate from voice-centric to multimedia networks. Our switching products have industry-leading scalability and capacity. Many of our core network switching systems are built upon common platforms.

Ericsson IP Multimedia Subsystem (IMS) is a complete end-to-end offering that enables consumers to access the same content and services using a multitude of access technologies and devices. IMS is an open service layer and control platform that enables standardized services and enablers such as Rich Communication Suite, Multimedia Telephony etc. Since our IMS solution is common for both fixed and mobile networks, converged services can be transparently provided independent of the type of access.

Transmission

Microwave and optical transport solutions provide cost-effective management of voice and data traffic for both fixed and mobile networks. Our MINI-LINK micro-wave radio systems is one of the world's most widely deployed mobile backhaul solutions and, complemented with the wireline access and optical portfolio based on fiber and copper, we offer operators cost-efficient and scalable transport solutions supporting the increasing mobile broadband traffic. Transport networks (e.g. MINI-LINK, metro optical networks) are essential elements of our end-to-end solutions.

> " Our MINI-LINK micro-wave radio systems is one of the world's most widely deployed mobile backhaul solutions."
>
> Johan Wibergh,
> Head of Business Unit Networks

Network rollout services

Fast rollout of large volumes involves a heavy ramp-up of resources. Ericsson's Global Services organization uses a mix of local, in-house capabilities, subcontractors and central resources. We manage our capabilities in a way that has proven to be highly successful, providing precise projects and satisfied customers.

Segment Professional Services

Ericsson's professional services capabilities include expertise in managed services, systems integration, consulting, education and customer support services.

Segment Professional Services accounted for 23 percent of total sales in 2008.

Managed services

We offer the most comprehensive managed services capabilities within the telecom industry. Through outsourcing our customers can reduce cost of operations and gain flexibility in resources and shorten time to market – all with an assured quality of service. Our offering covers
- Network operations; management of all aspects of day-to-day operations of a customer's network, high-quality operations of fixed and mobile networks at a predictable cost.
- Hosting of service layer platforms and applications; we enable operators to launch new services in a simple, fast and cost-effective manner.

We are the industry leader in managed services, managing networks with 250 million subscribers. Since managed services are often signed as multi-year agreements, a major part of managed services sales is of a recurring nature.

Systems integration

Operators can minimize risk by engaging Ericsson to integrate equipment from multiple suppliers and handle technology change programs, as well as to design and integrate new solutions. More and more operators who introduce multimedia services or face challenging technology transformations are asking us to serve as a prime integrator, i.e. acting as the primary interface and program manager, ensuring successful deployment of the total solution.

Consulting

Our consultants with expertise in business and technology strategy support our customers in the decision-making, planning and execution to improve and grow their business. Our Industry Programs package the expertise into end-to-end solutions in the key areas of multimedia, 3G rollout, broadband, value creation and revenue assurance.

Education

We provide our customers with tailored education programs to ensure that their employees have the skills and competence necessary for managing today's and tomorrow's complex technologies.

Customer support services

Having experienced professionals available around-the-clock to provide customer support is a crucial part of our service offering. Our staff, across the world, supports operators that in total have over 1 billion customers. Giving advice on how to maximize efficiency in day-to-day operations ensures network uptime and lowers total cost of ownership.

Segment Multimedia

Ericsson provides the enablers and the applications operators and service providers require in order to deliver a richer user-experience. We understand the new multimedia ecosystem and with the growing demand for enriched communication and personalized content the mass market for multimedia services are rapidly increasing. Users want services that can be delivered seamlessly over any screen, at any time, anywhere.

Segment Multimedia accounted for 9 percent of total sales in 2008.

TV solutions

We enable the future of digital television through technology leadership, an open architecture, and integrated hardware and software solutions. Our end-to-end TV solution provides the technology, services and offerings necessary for successful traditional (linear), on-demand or podcast TV, making an individual TV experience possible at home or on the move, via a mobile phone or a laptop. Our end-to-end solution provides

> " Through outsourcing our customers can reduce cost of operations and gain flexibility – all with an assured quality of service."
>
> Jan Frykhammar,
> Head of Business Unit Global Services

opportunities for all players in the TV field – operators and service providers, advertisers as well as content providers.

Ericsson is a founding member of the Open IPTV Forum and continues to drive industry-wide standardization in bodies working with TV-enabling technologies, such as IMS and DLNA (Digital Living Network Alliance).

Consumer and business applications

We provide our customers with the latest multimedia solutions for both the consumer and the business communication market. For the consumer segment we offer video and mobile TV solutions, enriched messaging, community communications and location-based services like "family finder" or finding the nearest restaurant. In the business communication segment we provide network operators with converged, fixed-mobile, business communication solutions to target enterprises' needs for cost control, accessibility and staff efficiency.

Multimedia brokering

Our multimedia brokering offering, based on IPX, is serving more than 1,000 content, services, and media companies. With live premium services in 25 countries, our solution reaches two billion subscribers and our messaging service covers more than 500 networks reaching more than 96 percent of all mobile phone users worldwide.

We offer leading multimedia brokering solutions – facilitating payment and distribution of content by seamlessly interconnecting content and media companies, information and search services as well as consumer brands and a variety of enterprises with the network operators.

Service delivery and provisioning

Our service delivery and provisioning platforms enable operators

and service providers to effectively and efficiently create, sell, and manage multimedia services and multi-play offerings, closely interacting with standard services and BSS/OSS (business/operations support systems) management systems.

Thanks to our ability to combine products, solutions, systems integration and business consulting into one offering we are able to create a multimedia marketplace according to each customer's specific needs.

Revenue management

We are a leading provider of revenue management solutions. We help our customers capture and secure their revenue streams and leverage the business opportunities, by providing expertise and solutions to manage the revenues from traditional services like voice and sms as well as multimedia services.

One of the leading solutions within revenue management is convergent charging and billing that enables operators to handle all users and services in the same way, independent of payment options or access technologies. We are gaining momentum from our majority stake in LHS.

Mobile platforms

We are a leading supplier of platform technology for GSM/EDGE and WCDMA/HSPA used in devices such as mobile handsets, PC-cards, and other mobile devices. Ericsson licenses open-standard, end-to-end interoperability tested GSM/EDGE and WCDMA/HSPA technology platforms.

In August 2008, Ericsson and STMicroelectronics announced plans to establish a joint venture which will have one of the industry's strongest product offering in semiconductors and platforms for mobile devices.

Segment Phones

Sony Ericsson delivers innovative and feature-rich mobile phones, accessories and PC-cards, which allow us to provide end-to-end solutions to our customers. The joint venture, formed in October 2001, combines the mobile communications expertise of Ericsson with the consumer electronic devices and content expertise of SONY Corporation and forms an essential part of our end-to-end capability for mobile multimedia services.

Sony Ericsson is responsible for product design and development, as well as marketing, sales, distribution and customer services.

Sales for Sony Ericsson are not included in our reported sales, as their operating results are reported according to the equity method under "Share in earnings of joint ventures and associated companies" in the income statement.

Please also see Notes to the Consolidated Financial Statements – Note C3, "Segment Information".

> "Users want services that can be delivered seamlessly over any screen, at any time, anywhere – and we have the enablers and solutions to provide this."
>
> Jan Wäreby, Head of Business Unit Multimedia

Geographical segments (secondary)

We group sales into five geographical segments; Western Europe, CEMA (Central and Eastern Europe, Middle East and Africa), Asia Pacific, North America and Latin America.

There is a good distribution of sales between geographical segments, mitigating volatility, as a decrease in one area is often offset by an increase in another. In addition, no individual country accounts for more than 8 percent of sales. The segments have different characteristics in terms of penetration of fixed and mobile telephony, network traffic, sophistication of services and average country GDP and other economic factors.

We strongly believe that affordable and generally available telecommunication services are a prerequisite for social and economic development, which improves the welfare of all people in any given country. As one of the world's largest providers of communications equipment and services, we have implemented a strict trade compliance program throughout the Company in order to comply with foreign and domestic laws and regulations, trade embargoes and sanctions in force. In no way should our business activities be construed as supporting a particular political agenda or regime.

SALES PER REGION AND SEGMENT 2008

SEK million	Networks	Professional Services	Multi-media	Total
Western Europe	25,642	18,537	7,391	51,570
CEMA [1]	38,364	9,843	4,873	53,080
Asia Pacific	49,843	10,507	2,957	63,307
Latin America	16,096	5,522	1,430	23,048
North America	12,105	4,569	1,251	17,925
Total	142,050	48,978	17,902	208,930

[1] Central and Eastern Europe, Middle East and Africa.

Market environment

Long-term customer relationships and global scale

We have been present in most of our markets for more than 100 years, building strong, long-term relationships with the world's leading operators. Our scale advantage, end-to-end offerings, and a local presence in every major market enable us to serve as a true partner for cost-effective delivery of solutions and support to a diverse base of customers. As operators are striving to reduce the number of different key suppliers they rely on, the responsiveness of our employees and the power of our portfolio of products and services are key to our future success.

We work closely with our customers to understand their businesses and technology needs, and provide tailored solutions to help them fulfill their business objectives. Our expertise and experience in all major telecommunication standards along with our proven track record for quality and innovation have allowed us to develop our business on a worldwide basis. We believe that our widespread geographical presence and the economies of

scale associated with market share leadership give us competitive advantages. Global presence is an important factor, particularly when working as a business partner to operators working in multiple markets or globally. We are utilizing our strong international reach and core competence in mobile and fixed communications to expand into growth areas such as systems integration, service applications and managed services, as well as to develop alliances with suppliers and manufacturers in many countries in order to increase our combined effectiveness.

Customers

We are supplying equipment, integrated solutions and services to almost all major operators globally. We derive most of our sales from large, multi-year agreements with a limited number of significant customers. Out of a customer base of more than 425 network operators, the ten largest customers account for 42 (42) percent of our net sales, while the 20 largest customers account for 61 (58) percent of our net sales. Our largest customer accounted for approximately 6 (6) percent of sales during 2008.

Our customers have different needs in interacting with us, ranging from support in identifying and capturing business opportunities to complex system deliveries including systems integration or outsourced operation of the customer's network to simple add-on deliveries of equipment or spare parts to "do-it-yourself" fulfillment. We use three different sales approaches that acknowledge these different needs;

- Project Sales – interactive relationship selling with high involvement of the customer to identify and capture business opportunities, where the solution is not known at the point of sales,
- System Sales – interactive relationship selling of solutions configured for specific customer needs, and
- Product Sales – the outcome of relationship sales and frame agreements, where customers may call-off well-defined products and services electronically.

"We work closely with our customers to understand their needs and help them fulfill their business objectives."

Torbjörn Possne, Head of Sales and Marketing

System Sales has historically been our most common sales approach to best meet our customers' needs, however, as their needs evolve, the two other sales approaches will grow in importance.

For more information, see Risk Factors, "Risks Associated with the Industry and Market Conditions".

Seasonality

Our quarterly sales, income and cash flow from operations are seasonal in nature and generally lowest in the first quarter of the year and highest in the fourth quarter. This is mainly a result of the seasonal purchase patterns of network operators. The table below illustrates the long-term average seasonal effect on sales for the period 1994 through 2008.

15-YEAR AVERAGE SEASONALITY	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential Change	–26%	16%	–4%	32%
Share of annual sales	21%	24%	23%	31%

The table below illustrates the average seasonal effect on sales for the last three years.

MOST RECENT 3-YEAR AVERAGE SEASONALITY	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential Change	–18%	12%	–5%	31%
Share of annual sales	22%	24%	23%	30%

Competitors

In Networks, we compete mainly with large and well-established communication equipment suppliers. Although competition varies depending on the products, services and geographical regions, our most significant competitors in mobile communication include Alcatel/Lucent, Huawei, Nokia/Siemens and ZTE. With respect to fixed communications equipment, the competition is also highly concentrated and includes, among others, Alcatel/Lucent, Cisco, Huawei and Nokia/Siemens. We also compete with numerous local and regional manufacturers and providers of communication equipment and services. We believe the most important competitive factors in this industry include existing customer relationships, the ability to cost-effectively upgrade or migrate an installed base, technological innovation, product design, compatibility of products with industry standards, and the capability for end-to-end systems integration.

Competition in Professional Services includes not only many of the traditional communication equipment suppliers mentioned above, but also a number of large companies from other industry sectors, such as IS/IT, for example Accenture, HP/EDS and IBM as well as a large number of smaller but specialized companies operating on a local or regional basis. As the professional services segment grows, we expect to see additional competitors

emerge, possibly including some network operators attempting to expand into new segments.

In the Multimedia segment, our competitors vary widely depending on the product or service being offered, and we face significant competition for substantially all of these products and services. Competitors include many of the traditional communication equipment suppliers mentioned above as well as companies from other industries, such as Acision, Amdocs, Comverse, Harmonic, Oracle and Thomson.

Within the segment Phones, the primary competitors include Nokia, Motorola, Samsung and a number of other companies such as LG Electronics, NEC and Sharp as well as companies like Apple, HTC and RIM for smartphones. We believe that our mobile phone joint venture with SONY Corporation creates a distinctive competitive advantage.

For more information, see Risk Factors, "Risks Associated with the Industry and Market Conditions".

Supply

Manufacturing and assembly

Most of our node production, i.e., assembly, integration and testing of modular subsystems into complete system nodes such as radio base stations, mobile switching centers etc., is done in-house. The major part of our module production, i.e., production of subsystems such as circuit boards, radio frequency (RF) modules, antennas etc., is outsourced to a group of electronics manufacturing services companies (EMS), of which the vast majority is in low-cost countries.

We also purchase customized and standardized equipment, components and services from several global providers as well as from numerous local and regional suppliers. A number of our suppliers design and manufacture highly specialized and customized components for our end-to-end solutions as well as for individual nodes.

We generally attempt to negotiate global supply agreements with our primary suppliers. While we are not dependent on any one supplier for the provision of standardized equipment or components and seek to avoid single source supply situations, a need to switch to an alternative supplier may require us to allocate additional resources to ensure that our technical standards and other requirements are met. This process could take some time to complete. Accordingly, a need to switch to an alternative supplier could potentially have an adverse effect on our operations in the short term. For more information, see Risk Factors, "Strategic and Operational Risks".

We intend to continue to outsource module production where adequate manufacturing capacity and expertise are available on favorable terms. Such outsourcing of the major part of volume module manufacturing provides us greater flexibility to adapt to economic and market changes. The timing and level of

outsourcing is a balance between short-term demand and longer-term flexibility.

We manage our own production capacity on a global basis by allocating production to sites where capacity is available and costs are competitive. We work with shortening of lead-times and regionalization in order to reduce total distribution cost and CO_2 emission. At year-end 2008, our overall utilization was close to 100 percent as we continuously adjust our production capacity to meet expected demand. The table "Primary Manufacturing and assembly facilities" summarizes where we have our major manufacturing and assembly facilities as well as the total square meters of floor space at year-end. In Sweden, the majority of the floor space within our production facilities is used for node assembly and verification.

Sources and availability of materials

We purchase components, ready-made products and services from a significant number of domestic and foreign suppliers. Variations in market prices for copper, aluminum, steel, precious metals, plastics and other raw materials have a limited effect on our total cost of goods sold. To a limited extent, we are involved in the production of certain components such as power modules and cables, which are used in our systems products as well as sold externally to other equipment manufacturers.

To the extent possible, we rely on alternative supply sources for the purchased elements of our products to avoid sole source situations and to secure sufficient supply at competitive prices. Assuming there will only be moderate increase in market demand, we do not foresee any supply constraints to meet our expected production requirements during 2009. For more information, see Risk Factors, "Strategic and Operational Risks".

Organization

Company structure and organization

Ericsson is organized in business units, market units and group functions. Business units are innovators, developers and suppliers of high-quality products, services and customer offerings. Market units are marketing & sales channels and the Company's representative in the local market environment. Group functions coordinate the Company's strategies, operations and resource allocation and define the necessary directives, processes and organization for the effective governance of the Group.

For more information please see, Corporate Governance Report, "Company structure and organization".

Changes in the Organization:
- On May 1, 2008, Ericsson divested its enterprise PBX solutions to Aastra Technologies.

Changes in the Group Management Team:
- As per January 1, 2008, Jan Frykhammar was appointed Senior Vice President and head of business unit Global Services and was included in the Group Management Team.
- As per February 1, 2008, Torbjörn Possne was appointed Senior Vice President and head of group function Sales and Marketing and was included in the Group Management Team.
- As per July 1, 2008, Johan Wibergh was appointed Senior Vice President and head of business unit Networks and was included in the Group Management Team.
- As per July 1, 2008, Kurt Jofs and Björn Olsson left the Group Management Team.
- As per December 31, 2008, Joakim Westh left the Group Management Team.

For more information about management, please see Notes to the Consolidated Financial Statements – Note C29, "Information Regarding Employees, Members of the Board of Directors and Management".

PRIMARY MANUFACTURING AND ASSEMBLY FACILITIES

	2008		2007		2006		2005	
	Sites	Sq meters	Sites	Sq meters	Sites	Sq meters	Sites	Sq meters
Sweden	8	226,000	8	244,300	8	231,500	9	256,615
China	4	38,500	4	33,900	3	20,860	3	15,200
Italy	2	20,100	2	20,100	2	20,100	0	0
Brazil	1	18,000	1	25,900	1	18,400	1	15,840
Germany	1	300	1	300	1	13,900	0	0
India	1	9,000	1	6,400	1	5,364	1	5,364
USA	1	5,000	1	5,000	1	5,000	0	0
Other	0	0	0	0	1	3,100	0	0
Total	18	316,900	18	335,900	18	317,560	14	293,019