

Dear fellow shareholders,

We may be living in uncertain times, but there's one thing that gives me a strong belief in the future of our business: the majority of people worldwide appreciate the benefits that our products and services bring.



Performance was solid,
with robust sales growth.”

Mobile subscriptions have now reached the four billion mark, a remarkable achievement that reinforces our vision to be the prime driver in an all-communicating world. This was also the year that mobile broadband really took off and Ericsson was a key contributor to both of these milestones. As you can see from the results, our strategy and commitment to our vision are paying off.

Financially strong

We had a solid performance this year with robust sales growth and best-in-class margins. Ericsson's strong financial position

enables us to pursue strategic opportunities, such as quickly building a market-leading position in core mobile phone

technologies from a joint venture with STMicroelectronics.

The turmoil within the financial markets is leading to a macro-economic downturn that will eventually affect all parts of society. However, the vast majority of our customers are financially strong. Their networks are well dimensioned, but traffic is growing rapidly which drives the need for continued spending to maintain quality of service.

So far, our network and services businesses have hardly been affected at all by the financial markets' turmoil. This is not to say we take the macro-economic situation lightly, as it would be unreasonable to believe that we will not be affected in some way. We are therefore accelerating our move to all-IP technology to reduce our costs and prepare for tougher times. As the cost reductions largely come from more efficient ways of working, our strategy and unique capabilities should be unaffected.

Weakening demand for replacement phones is, however, impacting Sony Ericsson, especially in Western Europe. The JV is adjusting to the deteriorating market conditions with significant cost reduction activities which will restore its capability for profitable growth.

“ This was the year that mobile broadband really took off.”

Benefiting from long-term trends

Despite the current macro-economic environment, the fundamentals of our industry are sound and the underlying demand drivers remain intact. Today, mobile communication is just as essential to any nation's infrastructure as water, transportation or electricity.

The socio-economic contributions of mobile communications are well demonstrated with the importance of broadband increasing. The US Senate Appropriations Committee estimates that for every USD 1 invested in broadband networks, USD 10 are returned to society. The returns could be even higher with mobile broadband networks as they are cheaper and faster to build than fixed networks.

Ericsson plays a vital role in bringing the benefits of mobile broadband to the majority of people around the world. People in many parts of the world will soon be able to accomplish things that were never possible before – share ideas and information whenever and wherever they want, get medical advice and e-learning, stay in touch with family and friends and much more.

In many ways, 2008 was the year of mobile broadband. Data traffic increased dramatically in mobile broadband networks built by Ericsson, particularly for operators using bundled tariffs or a flat fee structure. We delivered software enhancements that tripled peak data rates, enabling a user experience and cost similar to fixed broadband. Further enhancements are in the works.

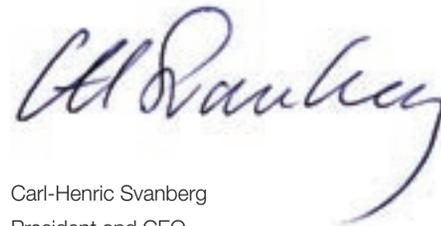
A new radio standard, Long Term Evolution (LTE), which offers even greater speeds, is now the first truly global mobile standard. However, GSM and WCDMA systems will coexist for some time and we have developed a new, more energy-efficient radio base station that also supports multiple standards.

What's more, our services business gained market share and we now manage a variety of operator networks, serving some 250 million subscribers worldwide.

Trusted partner

Being a trusted partner means working closely with our customers to fully understand their strategic needs and intentions. Customers tell us that we earn our competitive advantage by actively listening, sharing and exploring ways to cooperatively develop the most efficient solutions. Our mobile communications infrastructure, technology leadership, and telecom services expertise are highly rated by our customers in independent studies. Trust in Ericsson helps us to outperform the market and places Ericsson well ahead of the competition.

In closing, I am very excited about the potential of the telecommunications industry to improve the quality of life in societies around the world. I take great pride in Ericsson's role in making this happen.



Carl-Henric Svanberg
President and CEO

