Notes to the Consolidated Financial Statements

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C1 Significant Accounting Policies

The consolidated financial statements comprise Telefonaktiebolaget LM Ericsson, the Parent Company, and its subsidiaries ("the Company") and the Company's interests in associated companies and joint ventures. The Parent Company is domiciled in Sweden at Torshamnsgatan 23, SE-164 83 Stockholm.

The consolidated financial statements for the year ended December 31, 2008, have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and RFR 1.1 "Additional rules for Group Accounting", related interpretations issued by the Swedish Financial Reporting Board (Rådet för Finansiell Rapportering), and the Swedish Annual Accounts Act. There is no effect on Ericsson's financial reporting 2008 due to differences between IFRS as issued by the IASB and IFRS as endorsed by the EU, nor is RFR 1.1 or the Swedish Annual Accounts Act in conflict with IFRS.

The financial statements were approved by the Board of Directors on February 20, 2009. The balance sheets and income statements are subject to approval by the annual meeting of shareholders.

New standards, amendments of standards and interpretations, effective as from January 1, 2008:

- "Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments:
  Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)" (effective from July 1, 2008). An amendment to the Standard, issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. A Company shall disclose the amount reclassified into and out of each category and the reason for that reclassification. This amendment has had no impact on the Company's financial result or financial position as the Company has not adopted this non-mandatory amendment.
- "IFRIC 11/IFRS 2 – Group and Treasury Share Transactions" requires a share-based payment arrangement in which a company receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 is mandatory for the Company's 2008 financial statements, with retrospective application required. It has not had any impact on the consolidated financial statements.
- "IFRIC 12 Service Concession Arrangements" provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. This interpretation is still subject to endorsement by the EU. At present, IFRIC 12 is not applicable for the Company.
- "IFRIC 14/IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" clarifies when refunds from or reductions in future contributions to defined benefit plans should be regarded as available or firmly decided and provides guidance on the impact of minimum funding requirements (MFR) on such plans. IFRIC 14 also addresses when a MFR might give rise to a liability. IFRIC 14 is mandatory for IFRS users for 2008 financial statements with retrospective application required. It has had no material impact on the consolidated financial statements.

Reverse split

The Annual General Meeting on April 9, 2008, decided on a reverse split 1:5 of the Company's shares. The reverse split had the effect that five shares of Class A and five shares of Class B, respectively, were consolidated into one share of Class A and one share of Class B, respectively. Numbers of shares and Earnings per share for comparison periods have been restated accordingly.

Changes in financial reporting structure

Operations related to product area Internet Payment Exchange (IPX) have been transferred from segment Professional Services to segment Multimedia, and are reported within Multimedia as from January 1, 2008. No restatement is made for year 2007, as the amounts are not material.

Basis of presentation

The financial statements are presented in millions of Swedish Krona (SEK). They are prepared on a historical cost basis, except for certain financial assets and liabilities that are stated at fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale, plan assets related to defined benefit pension plans, and share-based payments with related accruals for social security costs. Non-current assets (or disposal groups held for sale) are stated at the lower of carrying amount and fair value less cost to sell.

Basis of consolidation

The consolidated financial statements are prepared in accordance with the purchase method. Accordingly, consolidated stockholders' equity includes equity in subsidiaries, associated companies and joint ventures earned only after their acquisition.

Subsidiaries are all companies in which Ericsson has an ownership interest and directly or indirectly, including effective potential voting rights, has the power to govern the financial and operating policies generally associated with ownership of more than one half of the voting rights or in which Ericsson by agreement has control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and any unrealized income and expense arising from intra-group transactions are fully eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Business combinations

At the acquisition of a business, the cost of the acquisition, being the purchase price, is measured as the fair value of the assets given, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The acquisition cost is allocated to acquired assets, liabilities and contingent liabilities based upon appraisals made, including assets that were not recognized on the acquired entity's balance sheet, for example intangible assets such as customer relations, brands and patents. Goodwill arises when the purchase price exceeds the fair value of recognizable acquired net assets.

Associated companies and joint ventures

Investments in associated companies, i.e. where voting stock interest, including effective potential voting rights, is at least 20 percent but not more than 50 percent, or where a corresponding influence is obtained through agreement, are accounted for in accordance with the equity method. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. Ericsson's share of income before taxes is reported in item "Share in earnings of joint ventures and associated companies", included in Operating Income. This is due to that these interests are held for operating rather than investing or financial purposes. Ericsson's share of income taxes related to associated companies and joint ventures is reported under the line item Taxes in the income statement. Unrealized gains on transactions between the Company and its associated companies and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Undistributed shares in earnings of associated companies and joint ventures included in consolidated equity are reported as Retained earnings.

Foreign currency remeasurement and translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Swedish Krona (SEK), which is the Parent Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, unless deferred in equity under the hedge accounting practices as described below.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting net exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are accounted for in stockholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

There is no significant impact due to a currency of a hyperinflationary economy.

Statement of cash flows

The cash flow statement is prepared in accordance with the indirect method. Cash flows in foreign subsidiaries are translated at the average exchange rate during the period. Payments for subsidiaries acquired or divested are reported as cash flow from investing activities, net of cash and cash equivalents acquired or disposed of, respectively.

Cash and cash equivalents consist of cash, bank, and short-term investments that are highly liquid monetary financial instruments with a remaining maturity of three months or less at the date of acquisition.

Revenue recognition

The Company offers a comprehensive portfolio of telecommunication and data communication systems, multimedia solutions and professional services, covering a range of technologies.

The contracts are of four main types:

- delivery-type.
- contracts for various types of services, for example multi-year managed services contracts.
- licence agreements for the use of the Company's technology or intellectual property rights, not being a part of another product.
- construction-type.

The majority of the Company's products and services are sold under delivery-type contracts including multiple elements, such as base stations, base station controllers, mobile switching centers, routers, microwave transmission links, various software products and related installation and integration services. Such contract elements generally have individual item prices in agreed price lists per customer.

Sales are recorded net of value added taxes, goods returned, trade discounts and rebates. Revenue is recognized with reference to all significant contractual terms when the product or service has been delivered, when the revenue amount is fixed or determinable, and when collection is reasonably assured. Specific contractual performance and acceptance criteria may impact the timing and amounts of revenue recognized.

The profitability of individual contracts is periodically assessed, and provisions for any estimated losses are made immediately when losses are probable.

For sales between consolidated companies, associated companies, joint ventures and segments, the Company applies arm's length pricing.

Definitions of contract types and related more specific accounting revenue recognition criteria

Different revenue recognition methods, based on either IAS 18 "Revenue" or IAS 11 "Construction contracts", are applied based on the solutions provided to customers, the nature and sophistication of the technology involved and the contract conditions in each case.

The contract types that fall under IAS 18 are:

- Delivery-type contracts, are contracts for delivery of a product or a combination of products to form a whole or a part of a network as well as delivery of stand-alone products. Medium-size and large delivery type contracts generally include multiple elements. Such elements are normally standardized types of equipment or software as well as services such as network rollout.
  Revenue is recognized when risks and rewards have been transferred to the customer, normally stipulated in the contractual terms of trade. For delivery-type contracts that have multiple elements, revenue is allocated to each element based on relative fair values. If there are undelivered elements essential to the functionality of the delivered elements, the Company defers the recognition of revenue until all elements essential to the functionality have been delivered.
- Contracts for various types of services include services such as: training, consulting, engineering, installation, multi-year managed services and hosting. Revenue is generally recognized when the services have been provided. Revenue for managed service contracts and other services contracts covering longer periods is recognized pro rata over the contract period.
- Contracts generating licensing fees for the use of the Company's technology or intellectual property rights, i.e. not being a part of a sold product. These are mainly fees related to mobile platform technology and other license revenues from third parties for the right to use the Company's technology in design and production of products for sale. Revenue is recognized based on the number of mobile devices or other products that are produced and sold by the customer/licensee.

The contract type that falls under IAS 11 is:

- Construction-type contracts. In general, a construction type contract is a contract where the Company supplies to a customer, a complete network, which to a large extent is based upon new technology or includes major components which are specifically designed for the customer. Revenues from construction-type contracts are recognized according to stage of completion, generally using the milestone output method.

Earnings per share

Basic earnings per share are calculated by dividing net income attributable to stockholders of the Parent Company by the weighted average number of shares outstanding (total number of shares less treasury stock) during the year.

Diluted earnings per share are calculated by dividing net income attributable to stockholders of the Parent Company, when appropriate adjusted by the sum of the weighted average number of ordinary shares outstanding and dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share.

Stock options and rights to matching shares are considered dilutive when the actual fulfillment of any performance conditions as of the reporting date would give a right to ordinary shares. Furthermore, stock options are considered dilutive only when the exercise price is lower than the period's average share price.

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the settlement date.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Separate assets or liabilities are recognized if any rights and obligations are created or retained in the transfer.

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

The fair values of quoted financial investments and derivatives are based on quoted market prices or rates. If official rates or market prices are not available, fair values are calculated by discounting the expected future cash flows at prevailing interest rates. Valuations of FX options and Interest Rate Guarantees (IRG) are made by using a Black-Scholes formula. Inputs to the valuations are market prices for implied volatility, foreign exchange and interest rates.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term.

Derivatives are classified as held for trading, unless they are designated as hedges. Assets in this category are classified as current assets.

Gains or losses arising from changes in the fair values of the "financial assets at fair value through profit or loss"-category (excl derivatives) are presented in the income statement within Financial income in the period in which they arise. Derivatives are presented in the income statement either as cost of sales, financial income or financial expense, depending on the intent with the transaction.

Loans and receivables

Receivables are subsequently measured at amortized cost using the effective interest rate method, less allowances for impairment charges. Trade receivables include amounts due from customers. The balance represents amounts billed to customer and amounts where risk and rewards have been transferred to the customer but the invoice has not yet been issued.

Collectibility of the receivables is assessed for purposes of initial revenue recognition.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Dividends on available-for-sale equity instruments are recognized in the income statement as part of financial income when the Company's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement.

Impairment

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

An assessment of impairment of receivables is performed when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is finally established as uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

Financial Liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Derivatives at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement either as cost of sales, financial income or financial expense depending on the intent of the transaction.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value at trade date and subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

a) a hedge of the fair value of recognized liabilities (fair value hedge);
b) a hedge of a particular risk associated with a highly probable forecast transaction (cash flow hedge); or
c) a hedge of a net investment in a foreign operation (net investment hedge).

At the inception of the transaction, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note C20, "Financial Risk Management and Financial Instruments". Movements in the hedging reserve in stockholders' equity are shown in Note C16, "Equity".

The fair value of a hedging derivative is classified as a non-current

asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting for hedging fixed interest risk on borrowings. Both gains and losses relating to the interest rate swaps hedging fixed rate borrowings and the changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognized in the income statement within Financial expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to an ineffective portion is recognized immediately in the income statement within financial income or expense.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place), either in Net Sales or Cost of Sales. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in Cost of Sales in case of inventory or in Depreciation in case of fixed assets. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss which at that time remains in equity is recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within financial income or expense.

c) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity. A gain or loss relating to an ineffective portion is recognized immediately in the income statement within financial income or expense. Gains and losses deferred in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Financial guarantees

Financial guarantee contracts are initially recognized at fair value (i.e. usually the fee received). Subsequently, these contracts are measured at the higher of

- the amount determined as the best estimate of the net expenditure required to settle the obligation according to the guarantee contract, and
- the recognized contractual fee less cumulative amortization when amortized over the guarantee period, using the straight-line-method.

The best estimate of the net expenditure comprises future fees and cash flows from subrogation rights.

Inventories

Inventories are measured at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis.

Risks of obsolescence have been measured by estimating market value based on future customer demand and changes in technology and customer acceptance of new products.

Intangible assets

a) Intangible assets other than goodwill

Intangible assets other than goodwill comprise capitalized development expenses and acquired intangible assets, such as patents, customer relations, brands and software. At initial recognition, capitalized development expenses are stated at cost while acquired intangible assets related to business combinations are stated at fair value. Subsequent to initial recognition, both capitalized development expenses and acquired intangible assets are stated at initially recognized amounts less accumulated amortization and impairment. Amortization and any impairment losses are included in Research and development expenses, mainly for capitalized development expenses and patents, in Selling and administrative expenses, mainly for customer relations and brands, and in Cost of sales.

Costs incurred for development of products to be sold, leased or otherwise marketed or intended for internal use are capitalized as from when technological and economical feasibility has been established until the product is available for sale or use. These capitalized expenses are mainly generated internally and include direct labor and directly attributable overhead. Amortization of capitalized development expenses begins when the product is available for general release. Amortization is made on a product or platform basis according to the straight-line method over periods not exceeding five years. Research and development expenses directly related to orders from customers are accounted for as a part of Cost of sales. Other research and development expenses are charged to income as incurred.

Amortization of acquired intangible assets, such as patents, customer relations, brands and software, is made according to the straight-line method over their estimated useful lives, normally not exceeding ten years.

The Company has not recognized any intangible assets with indefinite useful life other than goodwill.

Impairment tests are performed whenever there is an indication of possible impairment. However, intangible assets not yet available for use are tested annually. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. In assessing value in use, the estimated future cash flows after tax are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Application of after tax amounts in calculation, both in

relation to cash flows and discount rate is applied due to that available models for calculating discount rate include a tax component. Corporate assets have been allocated to cash-generating units in relation to each unit's proportion of total net sales. The amount related to corporate assets is not significant. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amounts and if the recoverable amount is higher than the carrying value. An impairment loss is reversed only to the extent that the asset's carrying amount after reversal does not exceed the carrying amount, net of amortization, which would have been reported if no impairment loss had been recognized.

b) Goodwill

As from the acquisition date, goodwill acquired in a business combination is allocated to each cash-generating unit (CGU) of the Company expected to benefit from the synergies of the combination. Three of Ericsson's four operating segments have been identified as CGUs. No goodwill is assigned to Segment Phones.

An annual impairment test for the CGUs to which goodwill has been allocated is performed in the fourth quarter, or when there is an indication of impairment. Impairment testing as well as recognition of impairment of goodwill is performed in the same manner as for intangible assets other than goodwill, see description under "Intangible assets other than goodwill" above. An impairment loss in respect of goodwill is not reversed.

Certain specific disclosures are required in relation to goodwill impairment testing. These disclosures are given in Note C2, "Critical Accounting Estimates and Judgments" below and in note C10, "Intangible Assets".

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to income, generally on a straight-line basis, over the estimated useful life of each component of an item of property, plant and equipment, including buildings. Estimated useful lives are, in general, 25–50 years for buildings, 20 years for land improvements, 3–10 years for machinery and equipment, and up to 5 years for rental equipment. Depreciation and any impairment charges are included in Cost of sales, Research and development or Selling and administrative expenses.

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing a component and derecognizes the residual value of the replaced component.

Impairment testing as well as recognition or reversal of impairment of property, plant and equipment is performed in the same manner as for intangible assets other than goodwill, see description under "Intangible assets other than goodwill" above.

Gains and losses on disposals are determined by comparing the proceeds less costs to sell with the carrying amount and are recognized within Other operating income and expenses in the income statement.

Leasing

Leasing when the Company is the lessee

Leases on terms in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that type of asset, although the depreciation period must not exceed the lease term.

Other leases are operating leases, and the leased assets under such contracts are not recognized on the balance sheet. Costs under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Leasing when the Company is the lessor

Leasing contracts with the Company as lessor are classified as finance leases when the majority of risks and rewards are transferred to the lessee, and otherwise as operating leases. Under a finance lease, a receivable is recognized at an amount equal to the net investment in the lease and revenue is recognized in accordance with the revenue recognition principles.

Under operating leases, a balance sheet item of property, plant and equipment is reported and revenue as well as depreciation is recognized on a straight-line basis over the lease term.

Income taxes

Income taxes in the consolidated financial statements include both current and deferred taxes. Income taxes are reported in the income statement unless the underlying item is reported directly in equity. For those items, the related income tax is also reported directly in equity. A current tax liability or asset is recognized for the estimated taxes payable or refundable for the current year or prior years.

Deferred tax is recognized for temporary differences between the book values of assets and liabilities and their tax values and for unutilized tax loss carry forwards. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax loss carry forwards can be utilized. Deferred tax is not recognized for the following temporary differences: goodwill not deductible for tax purposes, for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and for differences related to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. An adjustment of deferred tax asset/liability balances due to a change in the tax rate is recognized in the income statement, unless it relates to a temporary difference earlier recognized directly in equity, in which case the adjustment is also recognized in equity.

The measurement of deferred tax assets involves judgment regarding the deductibility of costs not yet subject to taxation and estimates regarding sufficient future taxable income to enable utilization of unused tax losses in different tax jurisdictions. All deferred tax assets are subject to annual review of probable utilization. The largest amounts of tax loss carry forwards relate to Sweden, with indefinite period of utilization.

Provisions

Provisions are made when there are legal or constructive obligations as a result of past events and when it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. When the effect of the time value of money is material, discounting is made of estimated outflows. However, the actual outflows as a result of the obligations may differ from such estimates.

The provisions are mainly related to warranty commitments, restructuring, projects and other obligations, such as unresolved income tax and value added tax issues, claims or obligations as a result of patent infringement and other litigations, supplier claims and customer finance guarantees.

Product warranty commitments consider probabilities of all material quality issues based on historical performance for established products and expected performance for new products, estimates of repair cost per unit, and volumes sold still under warranty up to the reporting date.

A restructuring obligation is considered to have arisen when the Company has a detailed formal plan for the restructuring (approved by management), which has been communicated in such a way that a valid expectation has been raised among those affected.

Project related provisions include estimated losses on onerous contracts, contractual penalties and undertakings. For losses on customer contracts, a provision equal to the total estimated loss is recorded when a loss from a contract is anticipated and possible to estimate reliably. These contract loss estimates include any probable penalties to a customer under a loss contract.

Other provisions include provisions for income taxes, value added tax issues, litigations, supplier claims, customer finance and other provisions. The Company provides for estimated future settlements related to patent infringements based on the probable outcome of each infringement. The ultimate outcome or actual cost of settling an individual infringement may vary from the Company's estimate.

The Company estimates the outcome of any potential patent infringement made known to the Company through assertion and through the Company's own monitoring of patent-related cases in the relevant legal systems. To the extent that the Company makes the judgment that an identified potential infringement will more likely than not result in an outflow of resources, the Company records a provision based on the Company's best estimate of the expenditure required to settle with the counterpart.

In the ordinary course of business, the Company is subject to proceedings, lawsuits and other unresolved claims, including proceedings under laws and government regulations and other matters. These matters are often resolved over a long period of time. The Company regularly assesses the likelihood of any adverse judgments in or outcomes of these matters, as well as potential ranges of possible losses. Provisions are recognized when it is probable that an obligation has arisen and the amount can be reasonably estimated based on a detailed analysis of each individual issue.

Certain present obligations are not recognized as provisions as it is not probable that an economic outflow will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Such obligations are reported as contingent liabilities. For further detailed information we refer to C24 Contingent liabilities.

Post-employment benefits

Pensions and other post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount to a separate entity (a pension trust fund) with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditures for defined contribution plans are recognized as expenses during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to current and former employees. The related actuarial and investment risks fall on the Company.

The present value of the defined benefit obligations for current and former employees is calculated using the Projected Unit Credit Method. The discount rate for each country is determined by reference to market yields on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations. In countries where there is no deep market in such bonds, the market yields on government bonds are used, considering the medium term trend of such bonds. The calculations are based upon actuarial assumptions, assessed on a quarterly basis, and are as a minimum prepared annually. Actuarial assumptions are the Company's best estimate of the variables that determine the cost of providing the benefits. When using actuarial assumptions, it is possible that the actual result will differ from the estimated result or that the actuarial assumptions will change from one period to another. These differences are reported as actuarial gains and losses. They are for example caused by unexpectedly high or low rates of employee turnover, changed life expectancy, salary changes, changes in the discount rate and differences between actual and expected return on plan assets. Actuarial gains and losses are recognized in equity in the period in which they occur. The Company's net liability for each defined benefit plan consists of the present value of pension commitments less the fair value of plan assets and is recognized net on the balance sheet. When the result is a net benefit to the Company, the recognized asset is limited to the total of any cumulative past service cost and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The net of return on plan assets and interest on pension liabilities is reported as financial income or expense, while the current service cost and any other items in the annual pension cost are reported as operating income or expense.

Payroll taxes related to actuarial gains and losses are reported in equity together with the recognition of actuarial gains and losses.

Share-based compensation to employees and the Board of Directors

Share-based compensation is related to remuneration to employees, including key management personnel and the Board of Directors. Under IFRS, a company shall recognize compensation costs for share-based compensation programs to employees based on a measure of the value to the company of services received from the employees under the plans.

a) Compensation to employees

Stock option plans

In accordance with IFRS 1 and IFRS 2, Ericsson has chosen not to apply IFRS 2 to equity instruments granted before November 7, 2002.

IFRS 2 is applied to the equity settled employee option program granted after November 7, 2002 (i.e. on program where the vesting period ended 2005). Ericsson recognizes compensation costs representing the fair value at grant date of the outstanding employee options. In the balance sheet, the corresponding amounts are accounted for as equity. The fair value of the options is calculated using an option-pricing model. The total costs are recognized during the vesting period, i.e. the period during which the employees had to fulfill vesting requirements. When the options are exercised, social security charges are to be paid in certain countries on the value of the employee benefit; generally based on the difference between the market price of the share and the strike price. Such social security charges are accrued during the vesting period.

Stock purchase plans

For stock purchase plans, compensation costs are recognized during the vesting period, based on the fair value of the Ericsson share at the employee's investment date. The fair value is based upon the share price at investment date, adjusted for the fact that no dividends will be received on matching shares prior to matching. The employees pay a price equal to the share price at investment date for the investment shares. The investment date is considered as the grant date. In the balance sheet, the corresponding amounts are accounted for as equity. Vesting conditions are non-market based and affect the number of shares that Ericsson will match. When calculating the compensation costs for shares under performance-based matching programs, the Company at each reporting date assesses the probability of meeting the performance targets. Compensation expenses are based on estimates of the number of shares that will match at the end of the vesting period. When shares are matched, social security charges are to be paid in certain countries on the value of the employee benefit. The employee benefit is generally based on the market value of the shares at the matching date. During the vesting period, estimated amounts for such social security charges are accrued.

b) Compensation to the Board of Directors

During 2008, the Company introduced a share-based compensation program as a part of the remuneration to the Board of Directors. The program gives non-employed Directors elected by the General Meeting of Shareholders a right to receive part of their remuneration as a future payment of an amount which corresponds to the market value of a share of class B in the Company at the time of payment, as further disclosed in Note C29, "Information Regarding Employees, Members of the Board of Directors and Management". The cost for cash settlements is measured based on the estimated costs for the program on a pro rata basis during the service period, being one year. The estimated costs are remeasured during and at the end of the service period.

Segment reporting

Financial information is provided to the Board of Directors for both primary and secondary segments. These segments are subject to risks and returns that are different from those of other segments.

Primary segments

A primary segment is a business segment consisting of a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of the other business segments. Mainly the following factors have been considered when identifying the differences:

- Differences in products and services regarding: technology and standardization, research and development, production and service.
- For which market and to what type of customers the segment's products and/or services are aimed.
- Through which distribution channels products and services are sold.

Secondary segments

Secondary, geographical segments are defined based on differences in economic and market conditions, risks and returns for particular geographical environments.

Borrowing costs

The Company does not capitalize any borrowing costs. Such costs are expensed as incurred.

Non-current assets (or disposal group) held for sale

To be classified as an asset (or disposal group) held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable, requiring that the appropriate level of management has authorized the plan to sell and that there is an active plan to complete the sale.

Non-current assets (or disposal groups) held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Government grants

Government grants are recognized when there is a reasonable assurance of compliance with conditions attached to the grants and that the grants will be received.

For the Company, government grants are linked to performance of research or development work or to capital expenditures that are subsidized as governmental stimulus to employment or investments in a certain country or region. Government grants linked to research and development are normally deducted in reporting the related expense, whereas grants related to assets are accounted for deducting the grant when establishing the acquisition cost of the asset.

New standards and interpretations not yet adopted

A number of issued new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2008, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 “Operating Segments”. This standard prescribes measurement and presentation of segments and replaces IAS 14 “Segment reporting”. The new standard requires a ”management approach”, under which segment information is presented on the same basis as that used for internal reporting to the Board of Directors. An entity shall apply this IFRS in its annual financial statements for periods beginning on or after January 1, 2009. The Company will apply this new standard as from January 1, 2009. The new standard will not result in any changes of the reportable segments. However, the new 50/50 joint venture, ST Ericsson, established February 1, 2009, will be reported as a separate segment.
- IAS 1 (Revised), ‘Presentation of financial statements’ (effective from January 1, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply this revised standard as from January 1, 2009.
- Revised IAS 23 “Borrowing Costs” removes the option to expense borrowing costs as incurred and requires that a company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company’s 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions, the Company will apply the revised IAS 23 prospectively to design or construction of qualifying assets from the effective date January 1, 2009. The revised standard is not expected to have a significant impact on the financial statements of the Company.
- IAS 27 (Amendment) “Consolidated and Separate Financial Statements” (effective from July 1, 2009). The amendment to the standard is still subject to endorsement by the EU. The change implies, among other things, that minority interest shall always be recognized even if the minority interest is negative, transactions with minority interests shall always be recorded in equity, and, in those cases when a partial disposal of a subsidiary results in that the entity loses control of the subsidiary, any remaining interest should be revalued to fair value. The change in the standard will influence the accounting of future transactions. At present, the Company plans to apply the standard from January 1, 2010.
- IAS 32 and IAS 1 (Amendments) “Puttable Financial Instruments” and “Obligations Arising on Liquidation” (Effective from January 1, 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments, that impose an obligation on the entity to deliver to another party a pro rata share of the net assets of the entity only on liquidation, as equity, provided the financial instruments have particular features and meet specific conditions. The amendments are not expected to have any impact on the Company’s financial statements.
- IAS 39 (Amendment) “Financial instruments: Recognition and Measurement – Eligible hedged Items” (effective from July 1, 2009). The amendment to the standard is still subject to endorsement by the EU. The amendment clarifies how the existing principles underlying hedge accounting should be applied in two particular situations. It clarifies the designation of:
  a) a one-sided risk in a hedged item (hedging with options), and
  b) inflation in a financial hedged item.
  It is not expected to have a material impact on the Company’s financial statements.
- IFRS 1 and IAS 27 (Amendments) “Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate” (effective from January 1, 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. These amendments are not applicable, as the Company is not a first-time adopter.
- IFRS 2 (Amendment), “Share-based payment“ (effective from January 1, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company will apply IFRS 2 (Amendment) from January 1, 2009, but is not expected to have a material impact on the consolidated financial statements. The Company will apply this new standard as from January 1, 2009.
- IFRS 3 (Amendment) “Business Combinations” (effective from July 1, 2009). The amendment to the standard is still subject to endorsement by the EU. The amendment will have an effect on how future business combinations are accounted for, i.e. the accounting of transaction costs, possible contingent considerations, and business combinations achieved in stages. At present, the Company plans to apply the standard from January 1, 2010.
- IFRIC 13 “Customer Loyalty Programmes” addresses the accounting by companies that operate, or otherwise participate in, customer loyalty programmes for their customers. IFRIC 13 relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Company’s 2009 financial statements, is not expected to have any significant impact on the consolidated financial statements.
- IFRIC 15 “Agreements for Construction of Real Estate” (effective from January 1, 2009). The interpretation clarifies whether IAS 18, ‘Revenue’, or IAS 11,’Construction contracts’ should be applied to particular transactions. It is likely to result in IAS 18 being applied

to a wider range of transactions. IFRIC 15 is not expected to have significant impact on the Company's financial result and position. This interpretation is still subject to endorsement by the EU.

- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective from October 1, 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency, not presentation currency, and hedging instruments may be held anywhere in the Company. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Company will apply IFRIC 16 from January 1, 2009. It is not expected to have a material impact on the Company's financial statements.
- IFRIC 17, "Distributions of Non-cash Assets to Owners" (mandatory for accounting periods beginning on or after July 1, 2009). This interpretation is still subject to endorsement by the EU. IFRIC 17 clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity, and that this payable should be measured at the fair value of the net asset to be distributed. When an entity settles the dividend payable, it should recognize the difference between the dividend paid and the carrying amount of the net asset distributed in profit or loss. IFRIC 17 also clarifies that IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" should be applied for non-current assets classified as held for distribution to owners. The Company will apply IFRIC 17 to distributions of non-cash assets, as well as pro rata distributions of non-cash assets, prospectively from January 1, 2010.
- IFRIC 18 "Transfers of Assets from Customers" (effective for transfers of property, plant and equipment or cash from a customer, received on or after July 1, 2009). This interpretation is still subject to endorsement by the EU. IFRIC 18 clarifies the requirements for agreements in which an entity receives an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation clarifies e.g. the circumstances in which the definition of an asset is met, the recognition of the asset and the measurement of its cost on initial recognition, and also the recognition of revenue. The evaluation of this interpretation is not finalized.
- Improvements to IFRSs, published in May 2008 and effective from January 1, 2009. None of these improvements are expected to have a material impact on the Company's financial statements.

C2 Critical Accounting Estimates and Judgments

The preparation of financial statements and application of accounting standards often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. However, other results may be derived with different judgments or using different assumptions or estimates, and events may occur that could require a material adjustment to the carrying amount of the asset or liability affected. Following are the accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

The information in this note is grouped as per:

- Key sources of estimation uncertainty.
- Judgments management has made in the process of applying the Company's accounting policies.

Revenue recognition

Key sources of estimation uncertainty.

Estimates are necessary in evaluation of contractual performance and estimated total contract costs for assessing whether any loss provisions are to be made or if customers will reach conditional purchase volumes triggering contractual discounts to be given.

Judgments made in relation to accounting policies applied.

Parts of the Company's sales are generated from large and complex customer contracts. Managerial judgment is applied regarding, among other aspects, conformance with acceptance criteria and if transfer of risks and rewards to the buyer has taken place to determine if revenue and costs should be recognized in the current period, degree of completion and the customer credit standing to assess whether payment is likely or not to justify revenue recognition.

Trade and customer finance receivables

Key sources of estimation uncertainty.

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual receivables will be paid. Total allowances for estimated losses as of December 31, 2008, were SEK 1.8 (1.6) billion or 2.2 (2.5) percent of gross trade and customer finance receivables.

Credit risks for outstanding customer finance credits are regularly assessed as well, and allowances are recorded for estimated losses.

Inventory valuation

Key sources of estimation uncertainty.

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales volumes and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess volumes are made. Inventory allowances for estimated losses as of December 31, 2008, amounted to SEK 3.5 (2.8) billion or 11 (11) percent of gross inventory.

Deferred taxes

Key sources of estimation uncertainty.

Deferred tax assets are recognized for temporary differences between the carrying amounts for financial reporting purposes of assets and liabilities and the amounts used for taxation purposes and for tax loss carry-forwards. The largest amounts of tax loss carry-forwards are reported in Sweden, with an indefinite period of utilization (i.e. with no expiry date). The valuation of tax loss carry-forwards, deferred tax assets and the Company's ability to utilize tax losses is based upon management's estimates of future taxable income in different tax jurisdictions. For further detailed information, please refer to note C8, "Taxes".

At December 31, 2008, the value of deferred tax assets amounted to SEK 14.9 (11.7) billion. The deferred tax assets related to loss carryforwards are reported as non-current assets.

Accounting for income-, value added- and other taxes

Key sources of estimation uncertainty.

Accounting for these items is based upon evaluation of income-, value added- and other tax rules in all jurisdictions where we perform activities. The total complexity of rules related to taxes and the accounting for these require management's involvement in judgments regarding classification of transactions and in estimates of probable outcomes of claimed deductions and/or disputes.

Capitalized development expenses

Key sources of estimation uncertainty.

Impairment testing is performed after initial recognition whenever there is an indication of impairment. Intangible assets not yet available for use are tested annually. The impairment amounts are based on estimates of future cash flows for the respective products.

At December 31, 2008, the amount of capitalized development expenses amounted to SEK 2.8 (3.7) billion. An impairment charge of SEK 0.5 billion was recognized as a part of the restructuring program. Under this program decisions where taken to phase out certain products. The impairment charge relates to balances for these products.

Judgments made in relation to accounting policies applied.

Development costs that meet IFRS' intangible asset recognition criteria for products that will be sold, leased or otherwise marketed as well as those intended for internal use are capitalized. The starting point for capitalization is based upon management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. Capitalization ceases and amortization of capitalized development costs begins when the product is available for general release.

The definition of amortization periods as well as the evaluation of impairment indicators also requires management's judgment.

Acquired intellectual property rights and other intangible assets, including goodwill

Key sources of estimation uncertainty.

At initial recognition, future cash flows are calculated, ensuring that the initial carrying values do not exceed the discounted cash flows for the items of this type of assets. Impairment testing is performed after initial recognition whenever there is an indication of impairment, except for goodwill for which impairment testing is performed at least once per year. Negative deviations in actual cash flows compared to estimated cash flows as well as new estimates that indicate lower future cash flows might result in recognition of impairment charges. One source of uncertainty related to future cash flows is long-term movements in exchange rates.

The market Capitalization of the Company as per year end 2008 well exceeded the value of net assets of the Company.

For further discussion on goodwill, see Note C1, "Significant Accounting Policies" and C10, "Intangible Assets". Estimates related to acquired intangible assets are based on similar assumptions and risks in assumptions as for goodwill.

At December 31, 2008, the amount of acquired intellectual property rights and other intangible assets amounted to SEK 45.5 (46.8) billion, including goodwill of SEK 24.9 (22.8) billion.

Judgments made in relation to accounting policies applied.

At initial recognition and subsequent measurement, management judgments are made, both for key assumptions and regarding impairment indicators. In the purchase price allocation made for each acquisition, the purchase price shall be assigned to the identifiable assets, liabilities and contingent liabilities based on fair values for theses net assets. Any remaining excess value is reported as goodwill. This allocation requires management judgment as well as the definition of cash generating units for impairment testing purposes. Other judgments might result in significantly different results and financial position in the future.

Provisions

Pension and other post-employment benefits

Key sources of estimation uncertainty.

Accounting for the costs of defined benefit pension plans and other applicable post-employment benefits is based on actuarial valuations, relying on key estimates for discount rates, expected return on plan assets, future salary increases, turnover rates and mortality tables. The discount rate assumptions are based on rates for high-quality fixed-income investments with durations as close as possible to the Company's pension plans. Expected returns on plan assets consider long-term historical returns, allocation of assets and estimates of future long-term investment returns. At December 31, 2008 defined benefit obligations for pensions and other post-employment benefits amounted to SEK 28.0 (25.2) billion and fair value of plan assets to SEK 19.0 (20.2) billion. For more information on estimates and assumptions, see Note C17, "Post-Employment Benefits".

Warranty provisions

Key sources of estimation uncertainty.

Provisions for product warranties are based on current volumes of products sold still under warranty and on historic quality rates for mature products as well as estimates and assumptions on future quality rates for new products and estimates of costs to remedy the various qualitative issues that might occur. Total provisions for product warranties as of December 31, 2008, amounted to SEK 1.9 (1.8) billion.

Provisions other than warranty provisions

Key sources of estimation uncertainty.

Provisions, other than warranty provisions, mainly comprise amounts related to contractual obligations and penalties to customers and estimated losses on customer contracts, restructuring, risks associated with patent and other litigations, supplier or subcontractor claims and/or disputes, as well as provisions for unresolved income tax and value added tax issues. The estimates related to the amounts of provisions for penalties, claims or losses receive special attention from the management. At December 31, 2008, Provisions other than warranty commitments amounted to SEK 12.4 (7.9) billion. For further detailed information, see Note C18, "Provisions".

Judgments made in relation to accounting policies applied.

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management's judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Financial instruments and hedge accounting

Hedge accounting and foreign exchange risks

Key sources of estimation uncertainty.

Foreign exchange risk in highly probable sales and purchases in future periods are hedged using foreign exchange derivative instruments designated as cash-flow hedges.

Judgments made in relation to accounting policies applied.

Establishing highly probable sales volumes involves gathering and evaluating sales and purchases estimates for future periods as well as analyzing actual outcome to estimates on a regular basis in order to fulfill effectiveness testing requirements for hedge accounting. Changes in estimates of sales and purchases might result in that hedge accounting is discontinued.

For further information regarding risks in financial instruments see, Note C20, "Financial Risk Management and Financial Instruments".

C3 Segment Information

Primary segments

Ericsson has the following business segments:

Networks delivers products and solutions for mobile and fixed broadband access, core networks and transmission as well as related network rollout services. The offering includes:

- radio access solutions interconnect with devices such as mobile phones, notebooks and PCs, supporting different standardized mobile technologies, such as GSM and WCDMA on the same platform.
- access solutions, recently expanded by acquisitions, increase the customers' ability to modernize fixed networks to enable new IP-based services with higher bandwidth.
- our core network solutions include industry-leading softswitches, IP infrastructure for EDGE- and core routing, IP Multimedia Subsystem (IMS) and media gateways.
- transmission; microwave and optical transmission solutions for mobile and fixed networks.
- related network rollout services.

GSM and WCDMA share a common core network, preserving investments. IMS is a platform that enables converged services to be transparently provided indepent of the type of access used.

Professional Services delivers managed services, systems integration, consulting, education and general customer support services. The offering includes:

- managed services comprise network operations (the managment of day-to-day operations of customer networks) and hosting of service layer platforms and applications.
- systems integration; Ericsson integrates equipment from multiple suppliers and handles technology change programs as well as design and integration of new solutions.
- consulting; experts in business and technology strategy provide support (decision making, planning and execution) to customers in improving and growing their business.
- education; tailored programs to ensure operator personnel have the right skills and competence to manage their increasingly complex systems.
- customer support services; staff world-wide provide around-the-clock support and advice to ensure network uptime and performance.

Multimedia delivers enablers and applications that the operators need to deliver a rich user experience seamlessly on any device, any time and anywhere.

The offering includes:

- TV solutions, end-to-end solutions for operators, service providers, advertisers and content providers.
- customer and business applications; multimedia solutions for the consumer and enterprise markets.
- multimedia brokering solutions which facilitate payment and distribution of content.
- service delivering and provisioning platforms enabling operators and service providers to create, sell and manage multimedia offerings and multi-play offerings.
- mobile platforms; platform technology for GSM/EDGE and WCDMA/HSPA used in mobile devices and PCs.

Phones, consisting of Ericsson's investment and share in earnings of the Sony Ericsson Mobile Communications joint venture. Sony Ericsson delivers innovative and feature-rich mobile phones, accessories and PC-cards.

Secondary segments

Ericsson operates in five main geographical areas: (1) Western Europe, (2) Central and Eastern Europe, Middle East and Africa, (3) Asia Pacific, (4) North America and (5) Latin America. These areas represent the geographical segments.

BUSINESS SEGMENTS (PRIMARY)

2008	Networks	Professional Services	Multi-media	Phones	Unallo-cated	Elimi-nations	Group
Net sales	142,050	48,978	17,902	–	–	–	208,930
Inter-segment sales	–	–	–	–	–	–	–
Total net sales	**142,050**	**48,978**	**17,902**	**–**	**–**	**–**	**208,930**
Share in earnings of JV and associated companies	–25	92	–2	–503	–	–	–436
Operating income	**11,145**	**6,346**	**–118**	**–503**	**–618**	**–**	**16,252**
Operating margin (%)	8%	13%	–1%	–	–	–	8%
Financial income							3,458
Financial expenses							–2,484
Income after financial items							**17,226**
Taxes							–5,559
Net income							**11,667**
Assets [1] [2]	119,351	42,701	20,771	–	94,873	–	277,696
Equity in joint ventures and associated companies	852	322	120	6,694	–	–	7,988
Total assets	**120,203**	**43,023**	**20,891**	**6,694**	**94,873**	**–**	**285,684**
Liabilities [3] [4]	**58,739**	**25,868**	**5,363**	**–**	**53,630**	**–**	**143,600**

1) Segment assets include property, plant and equipment, intangible assets, current and non-current customer finance, accounts receivable, inventory, prepaid expenses, accrued revenues, derivatives and other current assets.
2) Unallocated assets include mainly cash and cash equivalents, short-term investments and deferred tax assets.
3) Segment liabilities include accounts payable, provisions, accrued expenses and deferred revenues, advances from customers and other current liabilities.
4) Unallocated liabilities include accrued interests, tax liabilities, interest-bearing liabilities and post-employment benefits.

Other segment items

	Networks	Professional Services	Multi-media	Phones	Unallo-cated	Elimi-nations	Group
Property, plant and equipment and intangible assets							
Additions to property plant and equipment	3,085	735	257	–	56	–	4,133
Acquisitions/capitalization of intangible assets	693	11	583	–	–	–	1,287
Depreciation	–2,347	–532	–228	–	–1	–	–3,108
Amortization	–3,210	–368	–1,429	–	1	–	–5,006
Impairment losses	–547	–	–19	–	–	–	–566
Reversals of impairment losses	6	1	–	–	–	–	7
Restructuring expenses	–5,131	–1,272	–337	–846	–20	–	–7,606
Gains/losses from divestments	9	–16	992	–	113	–	1,098

GEOGRAPHICAL SEGMENTS (SECONDARY)

2008	Net sales	Total assets	Additions/capitalization of PP&E and intangible assets
Western Europe	51,570	214,501	4,065
– of which Sweden	*8,876*	*189,827*	*2,909*
Central and Eastern Europe, Middle East and Africa	53,080	13,628	93
Asia Pacific	63,307	38,407	370
– of which China	*15,068*	*13,937*	*140*
– of which India	*15,176*	*12,705*	*85*
North America	17,925	8,164	739
– of which United States	*14,132*	*7,761*	*697*
Latin America	23,048	10,984	153
Total	**208,930**	**285,684**	**5,420**
– of which EU	*57,601*	*222,401*	*4,101*

For employee information, see Note C29, "Information Regarding Employees, Members of the Board of Directors and Management".

BUSINESS SEGMENTS (PRIMARY)

2007	Networks	Professional Services	Multi-media [1]	Phones	Unallo-cated	Elimi-nations	Group
Net sales	128,985	42,892	15,903	–	–	–	187,780
Inter-segment sales	32	10	2	–	–	–44	0
Total net sales	**129,017**	**42,902**	**15,905**	**–**	**–**	**–44**	**187,780**
Share in earnings of JV and associated companies	61	66	–3	7,108	–	–	7,232
Operating income	**17,398**	**6,394**	**–135**	**7,108**	**–119**	**–**	**30,646**
Operating margin (%)	13%	15%	–1%	–	–	–	16%
Financial income							1,778
Financial expenses							–1,695
Income after financial items							**30,729**
Taxes							–8,594
Net income							**22,135**
Assets [2] [3]	107,819	36,974	18,739	–	70,682	–	234,214
Equity in joint ventures and associated companies	850	298	206	9,549	–	–	10,903
Total assets	**108,669**	**37,272**	**18,945**	**9,549**	**70,682**	**–**	**245,117**
Liabilities [4] [5]	**39,819**	**19,101**	**4,915**	**–**	**46,230**	**–**	**110,065**

[1] Multimedia figures include the Enterprise PBX business which was divested in 2008.
[2] Segment assets include property, plant and equipment, intangible assets, current and non-current customer finance, accounts receivable, inventory, prepaid expenses, accrued revenues, derivatives and other current assets.
[3] Unallocated assets include mainly cash and cash equivalents, short-term investments and deferred tax assets.
[4] Segment liabilities include accounts payable, provisions, accrued expenses and deferred revenues, advances from customers and other current liabilities.
[5] Unallocated liabilities include accrued interests, tax liabilities, interest-bearing liabilities and post-employment benefits.

Other segment items

	Networks	Professional Services	Multi-media	Phones	Unallo-cated	Elimi-nations	Group
Property, plant and equipment and intangible assets							
Additions to property plant and equipment	3,264	806	249	–	–	–	4,319
Acquisitions/capitalization of intangible assets	15,401	2,973	11,464	–	–	–	29,838
Depreciation	–2,601	–367	–152	–	–1	–	–3,121
Amortization	–4,630	–237	–566	–	–	–	–5,433
Impairment losses	–105	–1	–	–	–	–	–106
Reversals of impairment losses	297	–	–	–	–	–	297
Gains/losses from divestments	–	–	–	–	280	–	280

GEOGRAPHICAL SEGMENTS (SECONDARY)

2007	Net sales	Total assets	Additions/capitalization of PP&E and intangible assets
Western Europe	52,685	160,606	12,127
– of which Sweden	*8,395*	*117,887*	*2,671*
Central and Eastern Europe, Middle East and Africa	48,661	10,737	230
Asia Pacific	54,629	26,852	1,124
– of which China	*13,598*	*9,915*	*704*
– of which India	*10,517*	*6,642*	*71*
North America	13,422	32,815	20,528
– of which United States	*10,529*	*31,573*	*17,668*
Latin America	18,383	14,107	148
Total	**187,780**	**245,117**	**34,157**
– of which EU	*58,978*	*161,251*	*10,609*

For employee information, see Note C29, “Information Regarding Employees, Members of the Board of Directors and Management”.

BUSINESS SEGMENTS (PRIMARY)

2006 [1]	Networks	Professional Services	Multi-media [2]	Phones	Unallo-cated	Elimi-nations	Group
Net sales	127,518	36,813	13,877	–	1,613	–	179,821
Inter-segment sales	176	34	17	–	2	–229	0
Total net sales	**127,694**	**36,847**	**13,894**	**–**	**1,615**	**–229**	**179,821**
Share in earnings of JV and associated companies	18	21	43	5,852	–	–	5,934
Operating income	**21,722**	**5,309**	**714**	**5,852**	**2 231** [7]	**–**	**35,828**
Operating margin (%)	17%	14%	5%	–	–	–	20%
Financial income							1,954
Financial expenses							–1,789
Income after financial items							**35,993**
Taxes							–9,557
Net income							**26,436**
Assets [3] [4]	100,792	21,141	6,657	–	76,941	–	205,531
Equity in joint ventures and associated companies	918	170	280	8,041	–	–	9,409
Total assets	**101,710**	**21,311**	**6,937**	**8,041**	**76,941**	**–**	**214,940**
Liabilities [5] [6]	**42,837**	**17,718**	**4,011**	**–**	**29,479**	**–**	**94,045**

1) Ericsson has reorganized its operating structure as of January 1, 2007. Comparative figures for 2006 are restated accordingly. For further details see note C1, Significant Accounting Policies.
2) Multimedia figures include the Enterprise PBX business which was divested in 2008.
3) Segment assets include property, plant and equipment, intangible assets, current and non-current customer finance, accounts receivable, inventory, prepaid expenses, accrued revenues, derivatives and other current assets.
4) Unallocated assets include mainly cash and cash equivalents, short-term investments and deferred tax assets.
5) Segment liabilities include accounts payable, provisions, accrued expenses and deferred revenues, advances from customers and other current liabilities.
6) Unallocated liabilities include accrued interests, tax liabilities, interest-bearing liabilities and post-employment benefits.
7) Unallocated operating income include the effect of the divesture of the Defense business by SEK 2,963 million.

Other segment items

	Networks	Professional Services	Multi-media	Phones	Unallo-cated	Elimi-nations	Group
Property, plant and equipment and intangible assets							
Additions to property, plant and equipment	3,462	291	74	–	–	–	3,827
Acquisitions/capitalization of intangible assets	16,403	1,512	404	–	–	–	18,319
Depreciation	–2,689	–271	–47	–	–	–	–3,007
Amortization	–4,015	–116	–68	–	–38	–	–4,237
Impairment losses	–303	–	–	–	–	–	–303
Reversals of impairment losses	31	–	–	–	–	–	31
Restructuring expenses	–2,400	–402	–106	–	–	–	–2,908
Gains/losses from divestments	–	–	–	–	2,945	–	2,945

GEOGRAPHICAL SEGMENTS (SECONDARY)

2006	Net sales [1]	Total assets	Additions/capitalization of PP&E and intangible assets
Western Europe	53,182	158,773	20,704
– of which Sweden	*7,809*	*125,578*	*17,819*
Central and Eastern Europe, Middle East and Africa	46,413	8,139	147
Asia Pacific	47,884	24,853	419
– of which China	*11,776*	*9,088*	*206*
– of which India	*7,359*	*5,936*	*39*
North America	15,862	10,893	798
– of which United States	*13,878*	*10,231*	*739*
Latin America	16,480	12,282	78
Total	**179,821**	**214,940**	**22,146**
– of which EU [2]	*58,983*	*160,074*	*20,763*

1) Revenues from intellectual property rights (IPR) related to products are as from 2007 reported in Net sales with related costs reported as Cost of sales. Comparative figures for 2006 have been restated accordingly.
2) Restated for Bulgaria and Romania which entered into the European Union as from 2007.

For employee information, see Note C29, “Information Regarding Employees, Members of the Board of Directors and Management”.

C4 Net Sales

	2008	2007	2006 [1]
Sales of products and network rollout services	**150,846**	138,011	137,758
Of which:			
– Delivery-type contracts	**148,358**	130,890	123,206
– Construction-type contracts	**2,488**	7,121	14,552
Professional Services sales	**48,978**	42,892	36,813
License revenues	**9,106**	6,877	5,250
Net sales	**208,930**	187,780	179,821
Export sales from Sweden	**109,254**	102,486	98,694

[1] Revenues from intellectual property rights (IPR) related to products are as from 2007 reported in Net sales with related costs reported as Cost of sales. Comparative figures for 2006 have been restated accordingly.

C5 Expenses by Nature

	2008	2007	2006
Goods and services	**138,298**	113,195	108,033
Amortization and depreciation	**8,114**	8,554	7,244
Impairments, net of reversals	**2,680**	1,435	876
Employee remunerations	**51,297**	44,771	42,821
Interest expenses	**2,484**	1,695	1,789
Taxes	**5,559**	8,594	9,557
Expenses incurred	**208,432**	178,244	170,320
Less:			
Inventory changes [1]	**3,761**	802	3,791
Additions to Capitalized development	**1,409**	1,053	1,353
Expenses charged to the Income Statement	**203,262**	176,389	165,176

[1] The inventory changes are based on changes of inventory values prior to allowances (gross value).

The change in Impairments, net of reversals, mainly relate to an increase of obsolescence allowances in inventories, impairments of Capitalized development expenses and an increase in impairments of trade receivables.

For 2008, restructuring charges amounted to SEK 6.7 billion. Restructuring charges are included in the expenses presented above.

Restructuring charges by function

	2008	2007	2006
Cost of sales	**2,540**	–	1,566
R&D expenses	**2,648**	–	595
Selling and administrative expenses	**1,572**	–	747
Total restructuring charges	**6,760**	–	2,908

C6 Other Operating Income and Expenses

	2008	2007	2006 [1]
Gains on sales of intangible assets and PP&E	**302**	78	27
Losses on sales of intangible assets and PP&E	**–190**	–104	–158
Gains on sales of investments and operations	**1,236**	296	3,038
Losses on sales of investments and operations	**–138**	–16	–93
Capital gains/losses, net	**1,210**	254	2,814
Other operating revenues	**1,767**	1,480	1,089
Total other operating income and expenses	**2,977**	1,734	3,903

[1] Revenues from intellectual property rights (IPR) related to products are as from 2007 reported in Net sales with related costs reported as Cost of sales. Comparative figures for 2006 have been restated accordingly.

C7 Financial Income and Expenses

	2008		2007		2006	
	Financial income	Financial expenses	Financial income	Financial expenses	Financial income	Financial expenses
Contractual interest from financial assets	**2,938**		2,293		1,952	
Of which from financial assets at fair value through profit or loss	***2,282***		*1,094*		*1,190*	
Contractual interest from financial liabilities		**-2,023**		–1,543		–1,416
Of which from financial liabilities at fair value through profit or loss		**–**		–		–
Net gain/loss on:						
Instruments at fair value through profit or loss [1]	**322**	**280**	–181	–60	–60	–366
Of which included in fair value hedge relationships	–	***–32***	–	*–7*	–	*–414*
Available for sale	**–**	**–**	–	–	–	–
Loans and receivables	**191**	**–**	–342	–	–	–160
Liabilities at amortized cost	–	**–656**	–	11	–	383
Other financial income and expenses	**7**	**–85**	8	–103	62	–230
Total	**3,458**	**–2,484**	1,778	–1,695	1,954	–1,789

[1] Excluding net loss from operating assets and liabilities which was SEK 4,234 (762) million reported as Cost of Sales.

C8 Taxes

On December 10, 2008 the Swedish Parliament decided to reduce the company tax rate from 28 percent to 26,3 percent. This new tax rate will become applicable from the income year of 2009, and has affected the assessment of deferred tax assets and deferred tax debts. In summary, the Group tax expense for the year was SEK 5,559 (8,594) million or 32.3 (28.0) percent of the income after financial items.

Income taxes recognized in the income statement

The following items are included in Taxes:

	2008	2007	2006
Current income taxes for the year	**–5,574**	–4,115	–4,565
Current income taxes related to prior years	**167**	–294	–169
Deferred tax income/expense (–)	**–297**	–2,227	–3,582
Share of taxes in joint ventures and associated companies	**145**	–1,958	–1,241
Taxes	**–5,559**	–8,594	–9,557

RECONCILIATION OF ACTUAL INCOME TAX RATE TO THE SWEDISH INCOME TAX RATE:

	2008	2007	2006
Tax rate in Sweden	**–28.0%**	–28.0%	–28.0%
Effect of foreign tax rates	**0.1%**	0.2%	–0.4%
Current income taxes related to prior years	**1.0%**	–1.0%	–0.5%
Recognition/remeasurement of tax losses related to prior years	**–1.0%**	–0.7%	1.2%
Recognition/remeasurement of deductible temporary differences related to prior years	**0.4%**	1.5%	0.2%
Tax effect of non-deductible expenses	**–5.7%**	–2.6%	–3.7%
Tax effect of non-taxable income	**1.8%**	2.8%	4.5%
Tax effect of changes in tax rates	**–0.9%**	–0.2%	0.1%
Actual tax rate	**–32.3%**	–28.0%	–26.6%

Deferred tax balances

Tax effects of temporary differences and unutilized tax loss carryforwards are attributable as shown in the table below:

TAX EFFECTS OF TEMPORARY DIFFERENCES AND UNUTILIZED TAX LOSS CARRYFORWARDS

	2008 Deferred tax assets	2008 Deferred tax liabilities	2008 Net balance	2007 Deferred tax assets	2007 Deferred tax liabilities	2007 Net balance
Intangible assets and property, plant and equipment	**313**	**4,081**		438	4,044	
Current assets	**2,056**	**80**		1,878	14	
Post-employment benefits	**1,054**	**138**		1,121	100	
Provisions	**2,473**	**–**		1,693	5	
Equity	**2,941**	**–**		708	97	
Other	**3,743**	**897** [1]		3,647	1,553	
Loss carryforwards	**4,736**	**–**		5,219	–	
Deferred tax assets/liabilities	**17,316**	**5,196**		14,704	5,813	
Netting of assets/liabilities	**–2,458**	**–2,458**		–3,014	–3,014	
Net deferred tax balances	**14,858**	**2,738**	**12,120**	11,690	2,799	8,891

[1] Refer mainly to R&D credits and intellectual property rights

CHANGE IN DEFERRED TAXES:

	2008	2007
Opening balance, net	**8,891**	13,182
Recognized in income statement	**–296**	–2,227
Recognized in equity	**2,330**	–73
Acquisitions/disposals of subsidiaries	**861**	–2,120
Translation differences	**334**	129
Closing balance, net	**12,120**	8,891

Tax effects reported directly in equity amount to SEK 2,330 million, of which hedge accounting SEK 1,399 million, and actuarial gains/losses on pensions SEK 931 million.

Deferred tax assets are only recognized in countries where the Company expects to be able to generate corresponding taxable income in the future to benefit from tax reductions.

The significant tax loss carryforwards are related to countries with long or indefinite periods of utilization, mainly Sweden and the US. Of the total deferred tax assets for tax loss carryforwards, SEK 4,736 million, SEK 2,436 million relate to Sweden with indefinite time of utilization. With our strong current financial position and profitability during 2008, we have been able to utilize part of our tax loss carryforwards during the year, and we are convinced that Ericsson will be able to generate sufficient income in the coming years to utilize also remaining parts.

Investments in subsidiaries

Due to losses in certain subsidiary companies, the book value of certain investments in those subsidiaries are less than the tax value of these investments. Since deferred tax assets have been reported with respect also to losses in these companies, and due to the uncertainty as to which deductions can be realized in the future, no additional deferred tax assets are reported.

Tax loss carryforwards

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

At December 31, 2008, these unutilized tax loss carryforwards amounted to SEK 16,327 (17,734) million. The tax effect of these tax loss carryforwards are reported as an asset. The final years in which these loss carryforwards can be utilized are shown in the following table:

Year of expiration	Tax loss carryforwards	Tax effect
2009	345	83
2010	199	33
2011	223	36
2012	173	32
2013	408	81
2014 or later	14,979	4,471
Total	**16,327**	**4,736**

C9 Earnings Per Share

	2008	2007 [1]	2006 [1]
Basic, earnings per share			
Net income attributable to stockholders of the Parent Company (SEK million)	**11,273**	21,836	26,251
Average number of shares outstanding, basic (millions)	**3,183**	3,178	3,174
Earnings per share, basic (SEK)	**3.54**	6.87	8.27
Diluted, earnings per share			
Net income attributable to stockholders of the Parent Company (SEK million)	**11,273**	21,836	26,251
Average number of shares outstanding, basic (millions)	**3,183**	3,178	3,174
Dilutive effect for stock option plans	**1**	2	4
Dilutive effect for stock purchase plans	**18**	13	11
Average number of shares outstanding, diluted (millions)	**3,202**	3,193	3,189
Earnings per share, diluted (SEK)	**3.52**	6.84	8.23

[1] A reverse split 1:5 was made in June 2008. Comparative figures are restated accordingly.

C10 Intangible Assets

	Capitalized development expenses				Goodwill	Intellectual property rights (IPR), trademarks and other intangible assets		
		For internal use						
2008	To be marketed	Acquired costs	Internal costs	Total		IPR, trademarks and similar rights	Patents and acquired R&D	Total
Accumulated acquisition costs								
Opening balance	12,478	1,640	1,096	**15,214**	**22,826**	10,372	19,758	**30,130**
Acquisitions/capitalization	1,107	181	121	**1,409**	**–**	20	–	**20**
Balances regarding divested/ acquired businesses	–	–	–	**–**	**30**	–172	–	**–172**
Sales/disposals	–8,067	–	–	**–8,067**	**–60**	–1,212 [1]	–31	**–1,243**
Reclassification [2]	–	–	–	**–**	**–912**	–209	–	**–209**
Translation difference	–	–	–	**–**	**2,993**	630	723	**1,353**
Closing balance	**5,518**	**1,821**	**1,217**	**8,556**	**24,877**	**9,429**	**20,450**	**29,879**
Accumulated amortization								
Opening balance	–7,911	–1,562	–1,042	**–10,515**	**–**	–2,072	–4,086	**–6,158**
Amortization	–1,726	–	–	**–1,726**	**–**	–674	–2,606	**–3,280**
Sales/disposals	8,067	–	–	**8,067**	**–**	496	8	**504**
Translation difference	–	–	–	**–**	**–**	–175	–169	**–344**
Closing balance	**–1,570**	**–1,562**	**–1,042**	**–4,174**	**–**	**–2,425**	**–6,853**	**–9,278**
Accumulated impairment losses								
Opening balance	–974	–38	–26	**–1,038**	**–**	–	–14	**–14**
Impairment losses	–534 [3]	–17	–11	**–562**	**–**	–	–	**–**
Closing balance	**–1,508**	**–55**	**–37**	**–1,600**	**–**	**–**	**–14**	**–14**
Net carrying value	**2,440**	**204**	**138**	**2,782**	**24,877**	**7,004**	**13,583**	**20,587**

[1] Divestment of data centers in the UK.
[2] Reclassification of deferred tax assets, goodwill and intangible assets due to finalized purchase price allocation. For more information, see Note C26, "Business Combinations".
[3] Part of the restructuring program.

The goodwill is allocated to the business segments Networks (SEK 15.3 billion), Professional Services (SEK 2.8 billion) and Multimedia (SEK 6.8 billion).

The recoverable amounts for cash-generating units are established as the present value of expected future cash flows. Estimation of future cash flows includes assumptions mainly for the following key financial parameters:

- sales growth,
- development of operating income (based on operating margin or cost of goods sold and operating expenses relative to sales),
- development of working capital and capital expenditure requirements.

The assumptions, approved by group management and each business segment's management, regarding revenue growth are based on industry sources and projections made within the Company for the development 2008-2013 for key industry parameters:

- the number of global mobile subscriptions is estimated to grow from 3.9 billion by the end of 2008 to approximately 6.5 billion.
- fixed and mobile broadband subscriptions from 0.6 billion to approximately 3 billion.
- mobile traffic volume as well as fixed Internet traffic and fixed IPTV traffic is estimated to increase approximately 10 times.

The demand for multimedia solutions is driven by the opportunities for new types of service offerings enabled by IP technology and high-speed broadband.

The demand for professional services is also driven by an increasing business and technology complexity. Therefore, operators review their business models and look for vendor partners that can take on a broader responsibility, including outsourcing of network operations.

The assumptions are also based upon information gathered in the Company's long-term strategy process, including assessments of new technology, the Company's competitive position and new types of business and customers, driven by the continued integration of telecom, data and media industries.

The impairment testing is based on specific estimates for the first five years and with a reduction of nominal annual growth rate to an average GDP growth of 3 percent per year thereafter. The impairment test for goodwill did not result in any impairment.

A number of sensitivity tests have been made, for example applying lower levels of revenue and operating income. Also when applying these estimates no goodwill impairment is indicated.

As per year end 2008, the market capitalization of the Company well exceeded the value of net assets of the Company.

An after-tax discount rate of 12 percent has been applied for the discounting of projected after-tax cash flows.

The application of one rate is made due to that differences in risks between the cash generating units have been considered in the estimated cash flows.

In Note C1, "Significant Accounting Policies" and Note C2, "Critical Accounting Estimates and Judgments", further disclosures are given regarding goodwill impairment testing.

	Capitalized development expenses				**Goodwill**	**Intellectual property rights (IPR), trademarks and other intangible assets**		
		For internal use						
2007	To be marketed	Acquired costs	Internal costs	**Total**		IPR, trademarks and similar rights	Patents and acquired R&D	**Total**
Accumulated acquisition costs								
Opening balance	12,388	1,602	1,070	**15,060**	**6,824**	5,317	13,479	**18,796**
Acquisitions/capitalization	989	38	26	**1,053**	**–**	178	63	**241**
Balances regarding divested/ acquired businesses	–	–	–	**–**	**16,917**	5,132 [1]	6,495 [1]	**11,627**
Sales/disposals	–899	–	–	**–899**	**–1**	–57	–1	**–58**
Translation difference	–	–	–	**–**	**–914**	–198	–278	**–476**
Closing balance	**12,478**	**1,640**	**1,096**	**15,214**	**22,826**	**10,372**	**19,758**	**30,130**
Accumulated amortization								
Opening balance	–6,439	–1,562	–1,042	**–9,043**	**–**	–1,180	–1,953	**–3,133**
Amortization	–2,371	–	–	**–2,371**	**–**	–913	–2,149	**–3,062**
Sales/disposals	899	–	–	**899**	**–**	41	–	**41**
Translation difference	–	–	–	**–**	**–**	–20	16	**–4**
Closing balance	**–7,911**	**–1,562**	**–1,042**	**–10,515**	**–**	**–2,072**	**–4,086**	**–6,158**
Accumulated impairment losses								
Opening balance	–958	–38	–26	**–1,022**	**–**	–	–14	**–14**
Impairment losses	–16	–	–	**–16**	**–**	–	–	**–**
Closing balance	**–974**	**–38**	**–26**	**–1,038**	**–**	**–**	**–14**	**–14**
Net carrying value	**3,593**	**40**	**28**	**3,661**	**22,826**	**8,300**	**15,658**	**23,958**

[1] During 2007, Ericsson acquired Redback, Tandberg and LHS. The acquisitions consist of IPR, SEK 6.4 billion, trademarks and customer relationships, SEK 4.8 billion and goodwill, SEK 16 billion. The amortization period related to the intellectual property rights, trademarks and other intangible assets from Redback, Tandberg and LHS is between five and ten years.

C11 Property, Plant and Equipment

2008	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in process and advance payments	Total
Accumulated acquisition costs					
Opening balance	4,611	5,697	16,672	675	**27,655**
Additions	210	805	1,729	1,389	**4,133**
Balances regarding divested/acquired businesses	–	–5	–21	–	**–26**
Sales/disposals	–1,208	–775	–2,835	–33	**–4,851**
Reclassifications	21	–50	1,284	–1,255	**–**
Translation difference	420	459	1,229	19	**2,127**
Closing balance	**4,054**	**6,131**	**18,058**	**795**	**29,038**
Accumulated depreciation					
Opening balance	–1,470	–4,013	–12,485	–	**–17,968**
Depreciation	–241	–865	–2,002	–	**–3,108**
Balances regarding divested businesses	–	5	18	–	**23**
Sales/disposals	308	875	2,407	–	**3,590**
Reclassifications	–1	55	–54	–	**–**
Translation difference	–141	–268	–851	–	**–1,260**
Closing balance	**–1,545**	**–4,211**	**–12,967**	–	**–18,723**
Accumulated impairment losses, net					
Opening balance	–117	–118	–148	–	**–383**
Impairment losses	–	–4	–	–	**–4**
Reversals of impairment losses	–	–	7	–	**7**
Sales/disposals	78	–	–	–	**78**
Translation difference	–8	–3	–7	–	**–18**
Closing balance	**–47**	**–125**	**–148**	–	**–320**
Net carrying value	**2,462**	**1,795**	**4,943**	**795**	**9,995**

Contractual commitments for the acquisition of property, plant and equipment as per December 31, 2008, amounted to SEK 229 (176) million.
The reversal of impairment losses have been reported under Cost of sales.

2007	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in process and advance payments	**Total**
Accumulated acquisition costs					
Opening balance	4,551	5,005	15,135	457	**25,148**
Additions	471	617	2,111	1,120	**4,319**
Balances regarding divested/acquired businesses	10	170	104	–	**284**
Sales/disposals	–200	–311	–1,795	–77	**–2,383**
Reclassifications	–186	135	864	–813	**–**
Translation difference	–35	81	253	–12	**287**
Closing balance	**4,611**	**5,697**	**16,672**	**675**	**27,655**
Accumulated depreciation					
Opening balance	–1,212	–3,679	–11,738	–	**–16,629**
Depreciation	–246	–573	–2,302	–	**–3,121**
Balances regarding divested businesses	4	7	17	–	**28**
Sales/disposals	14	294	1,759	–	**2,067**
Reclassifications	–	–8	8	–	**–**
Translation difference	–30	–54	–229	–	**–313**
Closing balance	**–1,470**	**–4,013**	**–12,485**	**–**	**–17,968**
Accumulated impairment losses, net					
Opening balance	–306	–154	–178	–	**–638**
Impairment losses	–84	–	–6	–	**–90**
Reversals of impairment losses	263	9	25	–	**297**
Sales/disposals	1	27	10	–	**38**
Translation difference	9	–	1	–	**10**
Closing balance	**–117**	**–118**	**–148**	**–**	**–383**
Net carrying value	**3,024**	**1,566**	**4,039**	**675**	**9,304**

C12 Financial Assets, Non-Current

EQUITY IN JOINT VENTURES AND ASSOCIATED COMPANIES

	Joint ventures		Associated companies		Total	
	2008	2007	**2008**	2007	**2008**	2007
Opening balance	**9,549**	8,041	**1,354**	1,368	**10,903**	9,409
Share in earnings	**–503**	7,108	**67**	124	**–436**	7,232
Taxes	**151**	–1,957	**–6**	–1	**145**	–1,958
Translation difference	**1,084**	304	**130**	55	**1,214**	359
Change in hedge reserve	**36**	4	**–**	–	**36**	4
Pensions	**4**	–2	**–**	–	**4**	–2
Dividends	**–3,627**	–3,949	**–236**	–273	**–3,863**	–4,222
Capital contribution	**–**	–	**46**	103	**46**	103
Stock Purchase and Stock Option Plans	**–**	–	**–**	–19	**–**	–19
Reclassification	**–**	–	**–1**	–	**–1**	–
Disposals	**–**	–	**–60**	–3	**–60**	–3
Closing balance	**6,694**	9,549	**1,294** [1]	1,354 [1]	**7,988**	10,903

[1] Goodwill, net, amounts to SEK 16 million (SEK 19 million in 2007).

ERICSSON'S SHARE OF ASSETS, LIABILITIES AND INCOME IN JOINT VENTURE SONY ERICSSON MOBILE COMMUNICATIONS

	2008	2007
Non-current assets	**3,228**	2,701
Current assets	**21,190**	22,714
Non-current liabilities	**157**	121
Current liabilities	**17,593**	15,745
Net assets	**6,668**	9,549
Net sales	**54,377**	59,700
Income after financial items	**–400**	7,276
Income taxes	**151**	–1,957
Net income	**–249**	5,319
Net income attributable to:		
Stockholders of the Parent Company	**–353**	5,151
Minority interest	**104**	168
Assets pledged as collateral	**–**	–
Contingent liabilities	**20**	12

ERICSSON'S SHARE OF ASSETS, LIABILITIES AND INCOME IN ASSOCIATED COMPANY ERICSSON NIKOLA TESLA D.D. [1]

	2008	2007
Non-current assets	**394**	363
Current assets	**695**	728
Non-current liabilities	**6**	1
Current liabilities	**253**	263
Net assets	**830**	827
Net sales	**1,182**	1,100
Income after financial items	**139**	124
Income taxes	**–5**	–1
Net income	**134**	123
Net income attributable to:		
Stockholders of the Parent Company	**134**	123
Minority interest	**–**	–
Assets pledged as collateral	**5**	5
Contingent liabilities	**172**	64

[1] Ericsson's share is 49.07 percent.

Both these companies apply IFRS in the reporting to Ericsson.

OTHER FINANCIAL ASSETS, NON–CURRENT	Other investments in shares and participations		Customer finance, non-current		Derivatives, non-current		Other financial assets, non-current	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Accumulated acquisition costs								
Opening balance	**2,019**	1,999	**1,221**	2,270	**96**	116	**4,092**	3,447
Additions	**3**	–	**623**	892	**–**	–	**292**	175
Business combinations	**–**	–	**–**	–	**–**	–	**–**	166
Disposals/repayments/deductions	**–469**	–	**–761**	–1,940	**–**	–	**–713**	–245
Change in value in funded pension plans [1]	**–**	–	**–**	–	**–**	–	**–307**	447
Reclassifications	**–**	–	**–**	–	**–**	–	**–**	–
Revaluation	**–**	–	**–**	–	**2,718**	–20	**–**	–
Translation difference	**37**	20	**–1**	–1	**–**	–	**193**	102
Closing balance	**1,590**	2,019	**1,082**	1,221	**2,814**	96	**3,557**	4,092
Accumulated impairment losses/allowances								
Opening balance	**–1,281**	–1,278	**–209**	–349	**–**	–	**–1,270**	–1,154
Impairment losses/allowance	**–**	2	**–48**	41	**–**	–	**–14**	–58
Business combinations	**–**	–	**–**	–	**–**	–	**–**	–
Disposals/repayments/deductions	**–**	–	**21**	98	**–**	–	**–**	–
Reclassifications	**–**	–	**–**	–	**–**	–	**–**	–
Translation difference	**–**	–5	**–**	1	**–**	–	**–170**	–58
Closing balance	**–**	–1,281	**–236**	–209	**–**	–	**–1,454**	–1,270
Net carrying value	**309** [2]	738	**846**	1,012	**2,814**	96	**2,103**	2,822

[1] For further information, see Note C17, "Post–employment benefits".
[2] Fair value per December 31, 2008, for listed shares was SEK 0 (11) million with a net carrying value of SEK 0 (11) million.

C13 Inventories

	2008	2007
Raw materials, components, consumables and manufacturing work in progress	**7,413**	7,476
Finished products and goods for resale	**7,616**	5,338
Contract work in progress	**12,807**	10,338
Less advances from customers [1]	**–**	–677
Inventories, net	**27,836**	22,475

[1] Effective from this annual report, advances from customers are presented under Note C21, "Other current liabilities".

Contract work in progress includes amounts related to delivery-type contracts, service contracts and construction-type contracts with ongoing work in progress.

Reported amounts are net of obsolescence allowances of SEK 3,493 (2,752) million.

MOVEMENTS IN OBSOLESCENCE ALLOWANCES	**2008**	2007	2006
Opening balance	**2,752**	2,578	2,519
Additions, net	**1,553**	1,276	857
Utilization	**–1,039**	–1,114	–693
Translation difference	**250**	17	–81
Balances regarding acquired/divested businesses	**–23**	–5	–24
Closing balance	**3,493**	2,752	2,578

The amount of inventories recognized as an expense and included in Cost of sales was SEK 58,155 (52,864) million.

CONSTRUCTION-TYPE CONTRACTS IN PROGRESS	**2008**	2007
For construction-type contracts in progress:		
Aggregate amounts of costs incurred	**2,156**	9,599
Aggregate amount of recognized profits (less recognized losses)	**971**	2,007
Gross amount due from customers [1]	**204**	733
Gross amount due to customers [2]	**406**	1,643

[1] For all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceeds progress billings.
[2] For all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

The aggregate amounts of costs incurred relate to all construction-type contracts that were not finalized as per December 31, 2008, and include all costs incurred since the start of these projects, including any costs incurred prior to January 1, 2008. Net sales for construction-type contracts for 2008 amount to SEK 2,488 (7,121) million, see Note C4, "Net Sales".

C14 Trade Receivables and Customer Finance

	2008	2007
Trade receivables excluding associated companies and joint ventures	**76,827**	60,669
Allowances for impairment	**–1,471**	–1,351
Trade receivables, net	**75,356**	59,318
Trade receivables related to associated companies and joint ventures	**535**	1,174
Trade receivables, total	**75,891**	60,492
Customer finance	**3,147**	3,649
Allowances for impairment	**–326**	–275
Customer finance, net	**2,821**	3,374
Of which short term	***1,975***	*2,362*
Credit commitments for customer finance	**3,811**	4,185

Days Sales Outstanding were 106 (102) in December, 2008.

MOVEMENTS IN ALLOWANCES FOR IMPAIRMENT	Trade receivables			Customer finance		
	2008	2007	2006	**2008**	2007	2006
Opening balance	**1,351**	1,372	1,382	**275**	418	1,755
Additions	**651**	564	686	**90**	49	79
Utilization	**–492**	–554	–139	**–3**	–43	–284
Reversal of excess amounts	**–81**	–137	–527	**–74**	–141	–1,082
Reclassification	**–69**	56	56	**–**	–	–5
Translation difference	**115**	50	–86	**38**	–8	–45
Balances regarding acquired/divested business	**–4**	–	–	**–**	–	–
Closing balance	**1,471**	1,351	1,372	**326**	275	418

AGING ANALYSIS AS PER DECEMBER 31, 2008	Amount	Of which neither impaired nor past due	Of which impaired, not past due	Of which past due in the following time intervals less than 90 days	90 days or more	Of which past due and impaired in the following time intervals less than 90 days	90 days or more
Trade receivables excluding associated companies and joint ventures	76,827	67,482	157	4,003	2,711	844	1,630
Allowances for impairment of receivables	–1,471	–	–121	–	–	–362	–988
Customer finance	3,147	2,530	347	5	27	47	191
Allowances for impairment of customer finance	–326	–	–97	–	–	–38	–191

AGING ANALYSIS AS PER DECEMBER 31, 2007	Amount	Of which neither impaired nor past due	Of which impaired, not past due	Of which past due in the following time intervals less than 90 days	90 days or more	Of which past due and impaired in the following time intervals less than 90 days	90 days or more
Trade receivables excluding associated companies and joint ventures	60,669	52,560	–	3,723	1,577	773	2,036
Allowances for impairment of receivables	–1,351	–	–	–	–	–422	–929
Customer finance	3,649	2,476	305	410	293	1	164
Allowances for impairment of customer finance	–275	–	–110	–	–	–1	–164

Credit risk

Credit risk is divided into three categories: credit risk in trade receivables, customer finance risk and financial credit risk (see C20).

Credit risk in trade receivables

Credit risk in trade receivables is governed by a policy applicable for all legal entities in Ericsson. The purpose of the policy is to:

- Avoid credit losses through establishing internal standard credit approval routines in all Ericsson legal entities.
- Ensure monitoring and risk mitigation of defaulting accounts, i.e. events of non-payment and/or delayed payments from customers.
- Ensure efficient credit management within the Group and thereby improve Days Sales Outstanding and Cash Flow.
- Ensure payment terms are commercially justifiable.
- Define escalation path and approval process for payment terms and customer credit limits.

The credit worthiness of all customers is regularly assessed and a credit limit is set. Through credit management system functionality, credit checks are performed every time a sales order or an invoice is generated in the source system based upon the credit risk set on the customer. Credit blocks appear if credit limit set on customer is exceeded or if past due receivables are higher than permitted levels. Release of credit block requires authorization.

Letters of credits are used as a method for securing payments from customers operating in emerging markets, in particular in markets with unstable political and/or economic environment. By having banks confirming the letters of credit, the political and commercial credit risk exposures to Ericsson are mitigated.

Trade receivables amounted to SEK 76,827 (60,669) million as of December 31, 2008. Provisions for expected losses are regularly assessed and amounted to SEK 1,471 (1,351) million as of December 31, 2008. Ericsson's nominal credit losses have, however, historically been low. The amounts of trade receivables follow closely the distribution of Ericsson's sales and do not include any major concentrations of credit risk by customer or by geography. The top 5 largest customers represent 27 percent of the total trade receivables.

Customer finance credit risk

All major customer finance commitments are subject to approval by the Finance Committee of the Board of Directors according to a credit approval policy.

Prior to the approval of new facilities reported as customer finance, an internal credit risk assessment is conducted in order to assess the credit rating (for political and commerical risk) of each transaction. The credit risk analysis is made by using an assessement tool, where the political risk rating is identical to the rating used by all Export Credit Agencies within the OECD. The commercial risk is assessed by analyzing a large number of parameters, which may affect the level of the future commercial risk exposure. The output from the assessement tool for the credit rating is also a pricing of the risk, expressed as a risk margin per annum over funding cost. The reference pricing for political risk and commercial risk, on which the tool is based, is reviewed using information from Export Credit Agencies and prevailing pricing in the bank loan market for structured financed deals. The objective is that the internally set risk margin shall reflect the assessed risk and that the pricing is as close as possible to the current market pricing. A reassessment of the credit rating for each customer finance facility is made on a regular basis.

Risk provisions related to customer finance risk exposures are only made upon events occuring after the financing arrangement has become effective, which are expected to have a significant adverse impact on the borrower's ability and/or willingness to service the outstanding debt. These events can be political (normally outside the control of the borrower) or commercial, e.g. a borrower´s deteriorating creditworthiness.

As of December 31, 2008, Ericsson's total outstanding exposure related to customer finance was SEK 3,147 (3,649) million. As of that date, Ericsson also had unutilized customer finance commitments of SEK 3,811 (4,185) million. Customer finance is arranged for infrastructure projects in different geographic markets and to a large number of customers. As of December 31, 2008, there were a total of 69 (75) customer finance arrangements originated by or guaranteed by Ericsson. The five largest facilities represented 44 (48) percent of the total credit exposure.

Of Ericsson's total outstanding customer finance exposure as of December 31, 2008, 58 (47) percent were related to Central and Eastern Europe, Middle East & Africa, 20 (23) percent to Latin America, 18 (14) percent to Western Europe, 2 (14) percent to Asia Pacific and 2 (2) percent to North America.

The effect of risk provisions and reversals for customer finance affecting the income statement amounted to a net negative impact of SEK 16 million in 2008 compared to a positive impact of SEK 92 million in 2007. Credit losses incurred were SEK 3 (43) million.

Security arrangements for customer finance facilities normally include pledges of equipment, pledges of certain of the borrower's assets and pledges of shares in the operating company. Restructuring efforts for cases of troubled debt may lead to temporary holdings of equity interests. If available, third-party risk coverage may also be arranged. "Third-party risk coverage" means that a financial payment guarantee covering the credit risk has been issued by a bank, an export credit agency or other financial institution. It may also be a credit risk transfer under a so called "sub participation arrangement" with a bank, whereby the credit risk and the funding is taken care of by the bank for the part covered by the bank. A credit risk cover from a third party may also be issued by an insurance company. During 2008, Ericsson has not taken possession of any collateral it holds as security or called on any other credit enhancements.

The table below summarizes Ericsson's outstanding customer finance as of December 31, 2008 and 2007.

OUTSTANDING CUSTOMER FINANCE

	2008	2007
Total customer finance	**3,147**	3,649
Accrued interest	**81**	63
Less third-party risk coverage	**–162**	–511
Ericsson's risk exposure	**3,066**	3,201

C15 Other Current Receivables

	2008	2007
Prepaid expenses	**3,134**	2,527
Accrued revenues	**1,885**	1,661
Advance payments to suppliers	**1,278**	679
Derivatives with a positive value	**2,796**	1,530
Taxes	**4,130**	4,610
Other	**4,595**	4,055
Total	**17,818**	15,062

C16 Equity

Capital stock 2008

Capital stock at December 31, 2008, consisted of the following:

Parent Company	Number of shares	Capital stock
Class A shares	261,755,983	1,309
Class B shares	2,984,595,752	14,923
Total	**3,246,351,735**	**16,232**

The capital stock of the Company is divided into two classes: Class A shares (quota value SEK 5.00) and Class B shares (quota value SEK 5.00). 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 tenth of one vote per share.

At December 31, 2008, the total number of treasury shares was 61,066,097 (46,398,309[1] in 2007 and 50,202,778[1] in 2006) Class B shares. There were 19,900,000 shares repurchased by Ericsson in 2008, due to delivery and sale of shares in relation to the Stock Purchase Plans and the Stock Option Plans.

RECONCILIATION OF NUMBER OF SHARES

	Number of shares	Capital stock
Number of shares Jan 1, 2008	3,226,452,736 [1]	16,132
Number of shares Dec 31, 2008	3,246,351,735	16,232

[1] The Annual Meeting on April 9, 2008, decided on a reverse split 1:5 of the Company's shares. The reverse split has the effect that five shares of Class A and five shares of Class B, respectively, are consolidated into one share of Class A and one share of Class B, respectively. Numbers of shares and earnings per share for comparison periods have been restated accordingly.

Dividend proposal

The Board of Directors will propose to the Annual General Meeting 2009 a dividend of SEK 1.85 per share.

Additional paid in capital

Relates to payments made by owners and includes share premiums paid.

Revaluation of other investments in shares and participations

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

Cash flow hedges

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash-flow-hedging instruments related to hedged transactions that have not yet occurred.

Cumulative translation adjustments

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, changes regarding revaluation of goodwill in local currency as well as from the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

Retained earnings

Retained earnings, including net income for the year, comprise the earned profits of the Parent Company and its share of net income in subsidiaries, joint ventures and associated companies.

2008	Capital stock	Additional paid in capital	Revaluation of other investments in shares and participations	Cash flow hedges	Cumulative translation adjustments	Retained earnings	**Stockholders' equity**	Minority interests	**Total equity**
January 1, 2008	16,132	24,731	5	307	-6,345	99,282	**134,112**	940	**135,052**
Actuarial gains and losses related to pensions									
Group	–	–	–	–	–	–4,019	**–4,019**	–	**–4,019**
Joint ventures and associates	–	–	–	–	–	4	**4**		**4**
Revaluation of other investments in shares and participations									
Fair value measurement reported in equity									
Group	–	–	–6	–	–	–	**–6**	–	**–6**
Joint ventures and associates	–	–	–1	–	–	–	**–1**	–	**–1**
Cash flow hedges									
Fair value remeasurement of derivatives reported in equity									
Group	–	–	–	–5,116	–	–	**–5,116**	–	**–5,116**
Joint ventures and associates	–	–	–	36	–	–	**36**	–	**36**
Transferred to income statement for the period	–	–	–	1,192 [1]	–	–	**1,192**	–	**1,192**
Changes in cumulative translation adjustments									
Group	–	–	–	–	7,081 [2]	–	**7,081**	233	**7,314**
Joint ventures and associates	–	–	–	–	1,214	–	**1,214**	–	**1,214**
Tax on items reported directly in/or transferred from equity	–	–	1	1,225	174 [3]	930	**2,330**	–	**2,330**
Total transactions reported directly in equity	**–**	**–**	**–6**	**–2,663**	**8,469**	**–3,085**	**2,715**	**233**	**2,948**
Net income									
Group	–	–	–	–	–	11,564	**11,564**	394	**11,958**
Joint ventures and associates	–	–	–	–	–	–291	**–291**	–	**–291**
Total income and expenses recognized for the period	**–**	**–**	**–6**	**–2,663**	**8,469**	**8,188**	**13,988**	**627**	**14,615**
Stock issue	100	–	–	–	–	–	**100**	–	**100**
Sale of own shares	–	–	–	–	–	88	**88**	–	**88**
Repurchase of own shares	–	–	–	–	–	–100	**–100**	–	**–100**
Stock Purchase and Stock Option Plans									
Group	–	–	–	–	–	589	**589**	–	**589**
Joint ventures and associates	–	–	–	–	–	–	–	–	**–**
Dividends paid	–	–	–	–	–	–7,954	**–7,954**	–286	**–8,240**
Business combinations	–	–	–	–	–	–	–	–20	**–20**
December 31, 2008	**16,232**	**24,731**	**–1**	**–2,356**	**2,124**	**100,093**	**140,823**	**1,261**	**142,084**

[1] SEK 416 million is recognized in Net Sales and SEK 776 million is recognized in Cost of Sales.
[2] Changes in cumulative translation adjustments include changes regarding revaluation of goodwill in local currency of SEK 2,993 million (SEK –914 million in 2007, SEK –701 million in 2006), gain/loss from hedging activities of foreign entities, SEK –660 million (SEK –52 in 2007, SEK 123 million in 2006) and SEK 13 million (SEK –70 million in 2007, SEK –1 million in 2006) of realized gain/losses net from sold/liquidated companies.
[3] Deferred tax on gains/losses on hedges on investments in foreign entities.

2007	Capital stock	Additional paid in capital	Revaluation of other investments in shares and participations	Cash flow hedges	Cumulative translation adjustments	Retained earnings	**Stockholders' equity**	Minority interests	**Total equity**
January 1, 2007	16,132	24,731	3	877	–5,569	83,939	**120,113**	782	**120,895**
Actuarial gains and losses related to pensions									
Group	–	–	–	–	–	1,210	**1,210**	–	**1,210**
Joint ventures and associates						–2	**–2**		**–2**
Revaluation of other investments in shares and participations									
Fair value measurement reported in equity	–	–	2	–	–		**2**	–	**2**
Cash flow hedges									
Fair value remeasurement of derivatives reported in equity									
Group	–	–	–	580	–	–	**580**	–	**580**
Joint ventures and associates	–	–	–	4	–	–	**4**	–	**4**
Transferred to income statement for the period	–	–	–	–1,390	–	–	**–1,390**	–	**–1,390**
Changes in cumulative translation adjustments									
Group	–	–	–	–	–1,155	–	**–1,155**	–1	**–1,156**
Joint ventures and associates	–	–	–	–	359	–	**359**	–	**359**
Tax on items reported directly in/or transferred from equity	–	–	–	236	20	–329	**–73**	–	**–73**
Total transactions reported directly in equity	**–**	**–**	**2**	**–570**	**–776**	**879**	**–465**	**–1**	**–466**
Net income									
Group	–	–	–	–	–	16,562	**16,562**	299	**16,861**
Joint ventures and associates	–	–	–	–	–	5,274	**5,274**		**5,274**
Total income and expenses recognized for the period	**–**	**–**	**2**	**–570**	**–776**	**22,715**	**21,371**	**298**	**21,669**
Sale of own shares	–	–	–	–	–	62	**62**	–	**62**
Stock Purchase and Stock Option Plans									
Group	–	–	–	–	–	528	**528**	–	**528**
Joint ventures and associates	–	–	–	–	–	–19	**–19**	–	**–19**
Dividends paid	–	–	–	–	–	–7,943	**–7,943**	–189	**–8,132**
Business combinations	–	–	–	–	–	–	**–**	49	**49**
December 31, 2007	**16,132**	**24,731**	**5**	**307**	**–6,345**	**99,282**	**134,112**	**940**	**135,052**

2006	Capital stock	Additional paid in capital	Revaluation of other investments in shares and participations	Cash flow hedges	Cumulative translation adjustments	Retained earnings	**Stockholders' equity**	Minority interests	**Total equity**
January 1, 2006	16,132	24,731	5	–704	–2,493	63,951	**101,622**	850	**102,472**
Actuarial gains and losses related to pensions									
Group	–	–	–	–	–	437	**437**	–	**437**
Joint ventures and associates	–	–	–	–	–	3	**3**	–	**3**
Revaluation of other investments in shares and participations									
Fair value measurement reported in equity	–	–	–2	–	–	–	**–2**	1	**–1**
Cash flow hedges									
Fair value remeasurement of derivatives reported in equity									
Group	–	–	–	4,133	–	–	**4,133**	–	**4,133**
Joint ventures and associates	–	–	–	–33	–	–	**–33**	–	**–33**
Transferred to income statement for the period	–	–	–	–1,990	–	–	**–1,990**	–	**–1,990**
Transferred to balance sheet for the period	–	–	–	99	–	–	**99**	–	**99**
Changes in cumulative translation adjustments									
Group	–	–	–	–	–2,597	–	**–2,597**	–91	**–2,688**
Joint ventures and associates	–	–	–	–	–431	–	**–431**	–	**–431**
Tax on items reported directly in/or transferred from equity	–	–	–	–628	–48	–93	**–769**	–	**–769**
Total transactions reported directly in equity	**–**	**–**	**–2**	**1,581**	**–3,076**	**347**	**–1,150**	**–90**	**–1,240**
Net income									
Group	–	–	–	–	–	20,317	**20,317**	185	**20,502**
Joint ventures and associates	–	–	–	–	–	5,934	**5,934**		**5,934**
Total income and expenses recognized for the period	**–**	**–**	**–2**	**1,581**	**–3,076**	**26,598**	**25,101**	**95**	**25,196**
Sale of own shares	–	–	–	–	–	58	**58**	–	**58**
Stock Purchase and Stock Option Plans	–	–	–	–	–	473	**473**	–	**473**
Dividends paid	–	–	–	–	–	–7,141	**–7,141**	–202	**–7,343**
Stock issue, net	–	–	–	–	–	–	**–**	70	**70**
Business combinations	–	–	–	–	–	–	**–**	–31	**–31**
December 31, 2006	**16,132**	**24,731**	**3**	**877**	**–5,569**	**83,939**	**120,113**	**782**	**120,895**

C17 Post-Employment Benefits

Ericsson sponsors a number of post-employment benefit plans throughout the Group, which are in line with market practice in each country. The year 2008 was characterized by the economic turmoil affecting the return on plan assets and the fluctuation of discount rates.

This note is divided into the following sections:

1. Amount Recognized in the Consolidated Balance Sheet
2. Total Pension Expenses Recognized in the Income Statement
3. Change in the Defined Benefit Obligation, DBO
4. Change in the Plan Assets
5. Actuarial Gains and Losses Reported Directly in Equity (SORIE)
6. Actuarial Assumptions
7. Summary Information on Pension Plans per Geographical Zone

Section One: Amount Recognized in the Consolidated Balance Sheet

	Sweden	UK	Euro zone	US	Other	Total
2008						
Defined benefit obligation (DBO) [1)]	14,866	4,867	3,557	2,789	1,931	28,010
Fair value of plan assets [2)]	8,181	4,407	2,330	2,289	1,830	19,037
Deficit/Surplus (+/–)	6,685	460	1,227	500	101	8,973
Unrecognized past service costs	–	–	1	–	–75	–74
Closing balance	6,685	460	1,228	500	26	8,899
Plans with net surplus [3)]	–	35	304	171	464	974
Provision for post-employment benefits [4)]	**6,685**	**495**	**1,532**	**671**	**490**	**9,873**
2007						
Defined benefit obligation (DBO) [1)]	12,512	5,606	3,079	2,238	1,791	25,226
Fair value of plan assets [2)]	9,463	4,854	2,104	1,779	2,036	20,236
Deficit/Surplus (+/–)	3,049	752	975	459	–245	4,990
Unrecognized past service costs	–	–	–	–	–83	–83
Closing balance	3,049	752	975	459	–328	4,907
Plans with net surplus [3)]	–	39	426	99	717	1,281
Provision for post-employment benefits [4)]	**3,049**	**791**	**1,401**	**558**	**389**	**6,188**

[1)] For details on DBO, please refer to section three of this note.
[2)] For details on plan assets, please refer to section four of this note.
[3)] Plans with a net surplus, i.e. where plan assets exceed DBO, are reported as Other financial assets, non-current (please see Note C12 "Financial Assets"). None of the Company's plans with net surplus are affected by restrictions on asset recognition.
[4)] Plans with net liabilities are reported in the Balance Sheet as Post-employment benefits, non-current.

Section Two: Total Pension Expenses Recognized in the Income Statement

The expenses for post-employment benefits within Ericsson are distributed between defined contribution plans and defined benefit plans, with a trend toward defined contribution plans.

	Sweden	UK	Euro zone	US	Other	Total
2008						
Pension cost for defined contribution plans	1,607	40	345	114	72	2,178
Pension cost for defined benefit plans [1]	625	156	179	35	33	1,028
Total	**2,232**	**196**	**524**	**149**	**105**	**3,206**
Total pension cost expressed as a percentage of wages and salaries						8.3%
2007						
Pension cost for defined contribution plans	1,166	265	370	105	148	2,054
Pension cost for defined benefit plans [1]	471	279	128	42	100	1,020
Total	**1,637**	**544**	**498**	**147**	**248**	**3,074**
Total pension cost expressed as a percentage of wages and salaries						9.0%
2006						
Pension cost for defined contribution plans	1,350	–	195	93	82	1,720
Pension cost for defined benefit plans [1]	347	249	300	49	44	989
Total	**1,697**	**249**	**495**	**142**	**126**	**2,709**
Total pension cost expressed as a percentage of wages and salaries						8.4%

[1] See cost details in table below.

COST DETAILS FOR DEFINED BENEFIT PLANS RECOGNIZED IN THE INCOME STATEMENT

	Sweden	UK	Euro zone	US	Other	Total
2008						
Current service cost	539	186	141	29	122	1,017
Interest cost	549	299	160	142	133	1,283
Expected return on plan assets	–431	–310	–143	–137	–201	–1,222
Past service cost	–	–	11	–	8	19
Curtailments and settlements	–32	–19	10	1	–29	–69
Total	**625**	**156**	**179**	**35**	**33**	**1,028**
2007						
Current service cost	473	257	186	33	140	1,089
Interest cost	435	307	135	139	109	1,125
Expected return on plan assets	–412	–285	–125	–135	–163	–1,120
Past service cost	–	–	–	3	8	11
Curtailments and settlements	–25	–	–68	2	6	–85
Total	**471**	**279**	**128**	**42**	**100**	**1,020**
2006						
Current service cost	431	228	279	47	92	1,077
Interest cost	406	177	133	146	104	966
Expected return on plan assets	–352	–169	–103	–140	–145	–909
Past service cost	–	31	–	5	13	49
Curtailments and settlements	–138	–18	–9	–9	–20	–194
Total	**347**	**249**	**300**	**49**	**44**	**989**

Sections three to six focus on the defined benefit plans

Section Three: Change in the Defined Benefit Obligation, DBO

The DBO is the gross pension liability.

	Sweden	UK	Euro zone	US	Other	Total
2008						
Opening balance	**12,512**	**5,606**	**3,079**	**2,238**	**1,791**	**25,226**
Current service cost	539	186	141	29	122	1,017
Interest cost	549	299	160	142	133	1,283
Employee contributions	–	43	4	–	12	59
Pension payments	–74	–87	–133	–144	–86	–524
Actuarial gain/loss (–/+)	1,372	–436	–185	38	25	814
Settlements	–	–	–	–	–16	–16
Curtailments	–32	–19	10	1	–13	–53
Business combinations [1]	–	–	–14	–	–	–14
Other	–	–7	7	19	–7	12
Translation difference	–	–718	488	466	–30	206
Closing balance	**14,866**	**4,867**	**3,557**	**2,789**	**1,931**	**28,010**
Of which medical benefit schemes	–	–	–	*639*	–	*639*
2007						
Opening balance	**11,772**	**5,713**	**3,241**	**2,399**	**1,487**	**24,612**
Current service cost	473	257	186	33	140	1,089
Interest cost	435	307	135	139	109	1,125
Employee contributions	–	59	4	–	15	78
Pension payments	–72	–119	–89	–195	–68	–543
Actuarial gain/loss (–/+)	–71	–777	–482	–12	83	–1,259
Settlements	–	–	–	–2	–40	–42
Curtailments	–25	–	–68	2	6	–85
Business combinations [1]	–	440	20	–	–6	454
Other	–	–8	–9	22	–42	–37
Translation difference	–	–266	141	–148	107	–166
Closing balance	**12,512**	**5,606**	**3,079**	**2,238**	**1,791**	**25,226**
Of which medical benefit schemes	–	–	–	*533*	–	*533*

[1] Business combinations in 2008 are related to the divestiture of the Enterprise Business. Business combinations in 2007 are related to the acquisition of Tandberg Television ASA.

Funded Status

The funded ratio, defined as total plan assets in relation to the total defined benefit obligation (DBO), was 68.0 percent in 2008, compared to 80.2 percent in 2007.

The following table summarizes the value of the DBO per geographical area in relation to whether or not there are plan assets wholly or partially funding each pension plan.

	Sweden	UK	Euro zone	US	Other	Total
2008						
DBO, closing balance	14,866	4,867	3,557	2,789	1,931	28,010
Of which partially or fully funded	*14,375*	*4,867*	*2,355*	*2,118*	*1,522*	*25,237*
Of which unfunded	*491*	–	*1,202*	*671*	*409*	*2,773*
2007						
DBO, closing balance	12,512	5,606	3,079	2,238	1,791	25,226
Of which partially or fully funded	*12,043*	*5,606*	*1,945*	*1,680*	*1,440*	*22,714*
Of which unfunded	*469*	–	*1,134*	*558*	*351*	*2,512*

Section Four: Change in the Plan Assets

A majority of pension plans have assets managed by local Pension Trust funds, whose sole purpose is to secure the future pension payments to the employees.

	Sweden	UK	Euro zone	US	Other	Total
2008						
Opening balance	**9,463**	**4,854**	**2,104**	**1,779**	**2,036**	**20,236**
Expected return on plan assets	431	310	143	137	201	1,222
Actuarial gain/loss (+/–)	–1,713	–595	–343	19	–320	–2,952
Employer contributions	–	527	132	61	85	805
Employee contributions	–	43	4	–	12	59
Pension payments	–	–95	–30	–88	–73	–286
Settlements	–	–	–	–	–16	–16
Business combinations [1]	–	–	–2	–	–	–2
Other	–	–	–	–	–5	–5
Translation difference	–	–637	322	381	–90	–24
Closing balance	**8,181**	**4,407**	**2,330**	**2,289**	**1,830**	**19,037**
2007						
Opening balance	**9,141**	**3,897**	**1,959**	**1,818**	**1,580**	**18,395**
Expected return on plan assets	412	285	125	135	163	1,120
Actuarial gain/loss (+/–)	–89	–	–173	73	130	–59
Employer contributions	–1	622	128	13	83	845
Employee contributions	–	59	4	–	15	78
Pension payments	–	–127	–19	–142	–55	–343
Settlements	–	–	–	–2	–41	–43
Business combinations [1]	–	349	–	–	3	352
Other	–	–	–10	–	–18	–28
Translation difference	–	–231	90	–116	176	–81
Closing balance	**9,463**	**4,854**	**2,104**	**1,779**	**2,036**	**20,236**

[1] Business combinations in 2008 are related to the divestiture of the Enterprise Business. Business combinations in 2007 are related to the acquisition of Tandberg Television ASA.

Refunds from or reductions in future contributions to plan assets are recognized if they are available and firmly decided.

ACTUAL RETURN ON PLAN ASSETS

	Sweden	UK	Euro zone	US	Other	Total
2008	–1,283	–284	–200	156	–119	–1,730
2007	323	285	–48	208	293	1,061

ASSET ALLOCATION

	Sweden	UK	Euro zone	US	Other	Total
2008						
Equities	2,577	1,674	900	831	306	6,288
Interest-bearing securities	5,604	2,161	1,291	1,256	1,258	11,570
Other	–	572	139	202	266	1,179
Total	**8,181**	**4,407**	**2,330**	**2,289**	**1,830**	**19,037**
Of which Ericsson securities	–	–	–	–	–	–
2007						
Equities	2,943	1,874	1,159	1,442	479	7,897
Interest-bearing securities	6,520	2,387	847	316	1,381	11,451
Other	–	593	98	21	176	888
Total	**9,463**	**4,854**	**2,104**	**1,779**	**2,036**	**20,236**
Of which Ericsson securities	–	–	–	–	–	–

Equity instruments amount to 33 percent of the total assets, interest bearing instruments amount to 60.8 percent of the total assets, and other instruments amount to 6.2 percent of the total assets.

The expected contributions to the defined benefit plans during 2009 will be slightly higher than in 2008.

Section Five: Actuarial Gains and Losses Reported Directly in Equity

	2008	2007
Cumulative gain/loss (–/+) at beginning of year	**1,806**	3,065
Recognized gain/loss (–/+) during the year	**3,765**	–1,200
Other [1]	**–7**	–4
Translation difference	**–162**	–55
Cumulative gain/loss (–/+) at end of year	**5,402**	1,806

[1] The gain in 2008 is related to terminated pension plans. The gain in 2007 is related to the acquisition of Tandberg Television ASA.

Since January 1, 2006, Ericsson applies immediate recognition of actuarial gains and losses directly in equity, as disclosed in the statement of recognized income and expense (SORIE). Actuarial gains and losses may arise from either a change in actuarial assumptions or in deviations between estimated and actual outcome.

MULTI-YEAR SUMMARY

	2008	2007	2006	2005	2004
Plan assets	**19,037**	20,236	18,395	16,784	5,764
DBO	**28,010**	25,226	24,612	22,314	16,820
Deficit/Surplus (–/+)	**–8,973**	–4,990	–6,217	–5,530	–11,056
Actuarial gains and losses (–/+)					
Experience-based adjustments of pension obligations	**57**	–76	232	–415	–56
Experience-based adjustments of plan assets	**2,952**	59	–358	–706	–146

Section Six: Actuarial Assumptions

	Sweden	UK	Euro zone [1]	US	Other [1]
2008					
Discount rate	4.00%	5.50%	5.86%	6.25%	8.53%
Expected return on plan assets for the year	4.55%	6.40%	6.51%	7.50%	10.05%
Future salary increases	3.25%	4.30%	3.00%	4.50%	6.81%
Inflation	2.00%	3.00%	2.25%	2.50%	4.23%
Health care cost inflation, current year	n/a	n/a	n/a	9.00%	n/a
Life expectancy after age 65 in years, males	21	21	22	18	18
Life expectancy after age 65 in years, females	24	24	25	20	22
2007					
Discount rate	4.40%	5.60%	5.42%	6.25%	8.84%
Expected return on plan assets for the year	4.55%	6.75%	6.14%	7.50%	9.75%
Future salary increases	3.25%	4.60%	3.08%	4.50%	6.76%
Inflation	2.00%	3.30%	2.17%	2.50%	4.10%
Health care cost inflation, current year	n/a	n/a	n/a	9.50%	n/a
Life expectancy after age 65 in years, males	21	21	22	18	18
Life expectancy after age 65 in years, females	24	24	25	20	22

[1] Weighted average

- Actuarial assumptions are assessed on a quarterly basis.
- The discount rate for each country is determined by reference to market yields on high-quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds are used.
- The overall expected long-term return on plan assets is a weighted average of each asset category's expected rate of return. The expected return on interest-bearing investments is set in line with each country's market yield. Expected return on equities is derived from each country's risk free rate with the addition of a risk premium.
- Salary increases are partially affected by fluctuations in inflation rate.
- The net periodic pension cost and the present value of the DBO for current and former employees are calculated using the Projected Unit Credit (PUC) actuarial cost method, where the objective is to spread the cost of each employee's benefits over the period that the employee works for the company.

Sensitivity Analysis for Medical Benefit Schemes

The effect (in SEK million) of a one percentage point change in the assumed trend rate of medical cost would have the following effect:

	1 percent increase	1 percent decrease
Net periodic post-employment medical cost	3	–3
Accumulated post-employment benefit obligation for medical costs	57	–50

Section Seven: Summary Information on Pension Plans per Geographical Zone

Applicable to all countries: In 2008, the global economic turmoil has led to an overall lower than expected performance of plan assets, resulting in a significant actuarial loss and a decrease in the total value of the plan assets. The actuarial loss on plan assets is the difference between the expected return on plan assets and the actual return on plan assets. The expected return for 2008 was a positive SEK 1,222 million, and the actual return was a negative SEK 1,730 million. Consequently the actuarial loss was a SEK 2,952 million. Changes in discount rate have also resulted in an overall actuarial loss, and an increase in the defined benefit obligation. All geographical regions were affected by the actuarial loss on plan assets. Mostly affected by the actuarial loss on both plan assets and defined benefit obligation was Sweden.

Sweden:

In 2008, the Swedish discount rate decreased, resulting in an increase in the defined benefit obligation and an actuarial loss. Sweden was also negatively affected by the performance of the plan assets, which has resulted in a decrease in the value of the assets and an actuarial loss. The voluntary redundancy plans reduced the defined benefit obligation by SEK 32 million.

As before, Ericsson has secured the disability- and survivors' pension part of the ITP Plan through an insurance solution with the insurance company Alecta. Although this part of the plan is classified as a multi-employer defined benefit plan, it has not been possible for Ericsson to get sufficient information to apply defined benefit accounting, and therefore, it has been accounted for as a defined contribution plan. At the end of 2008, Alecta reported a surplus of 12 procent (52 percent in 2007). Such surplus reflects the fair value of Alecta's plan assets as a percentage of plan commitments, then measured in accordance with Alecta's actuarial assumptions, which are different from those in IAS 19. Alecta's surplus may be distributed to the members of the plan and/or plan participants.

UK:

The decrease in the future salary increases' percentage resulted in an actuarial gain, while the decrease in discount rate resulted in an actuarial loss. These two changes together resulted in an overall decrease in the defined benefit obligation, and consequently an actuarial gain.

Euro zone:

Germany, Italy and Ireland are the countries with the most significant defined benefit pension plans within the Euro zone.

The discount rate for the Euro zone increased, resulting in a decrease in the defined benefit obligation and an actuarial gain. The divestment of the Enterprise business decreased the defined benefit obligation by SEK 14 million.

US:

The discount rate is unchanged compared to 2007. The actuarial loss was purely due to experience-based adjustments of pension obligations and plan assets.

Other:

Brazil is the country included in Other with the most significant defined benefit pension plan.

C18 Provisions

	Warranty commit-ments	Restruc-turing	Project related	Other	Total
2008					
Opening balance	**1,814**	**1,051**	**2,619**	**4,242**	9,726
Additions	1,568	4,328	3,960	2,105	**11,961**
Reversal of excess amounts	–392	–131	–799	–493	**–1,815**
Negative effect on Income Statement					***10,146***
Utilization/Cash out	–1,150	–1,756	–2,164	–970	**–6,040**
Balances regarding divested/acquired businesses	–30	–2	–51	–15	**–98**
Reclassification	1	71	45	–173	**–56**
Translation differences	120	269	184	99	**672**
Closing balance	**1,931**	**3,830**	**3,794**	**4,795**	**14,350**
2007					
Opening balance	**2,961**	**2,277**	**3,272**	**5,372**	**13,882**
Additions	1,472	676	1,795	1,216	**5,159**
Reversal of excess amounts	–861	–400	–1,080	–1,409	**–3,750**
Negative effect on Income Statement					***1,409***
Utilization/Cash out	–1,755	–1,680	–1,383	–1,490	**–6,308**
Balances regarding divested/acquired businesses	22	–	–	–11	**11**
Reclassification	–24	123	–5	510	**604**
Translation differences	–1	55	20	54	**128**
Closing balance	**1,814**	**1,051**	**2,619**	**4,242**	**9,726**

Provisions

Risk assessment in the ongoing business is performed monthly to identify the need for new additions and reversals. Management uses its best judgment to estimate provisions based on this assessment. The actual utilization for 2008 was SEK 6.0 billion compared with the estimated SEK 6 billion.

For 2008, new or additional provisions amounting to SEK 12.0 billion were made, and SEK 1.8 billion were reversed. Of the total provisions, SEK 311 (368) million are classified as non-current. In certain circumstances, provisions are no longer required due to more favorable outcomes than anticipated, which affect the provisions balance as a reversal. In other cases the outcome can be negative, and if so, a charge is recorded in the income statement. The expected utilization in 2009 is approximately SEK 9 billion.

For more information, see Note C1, “Significant Accounting Policies” and Note C2, “Critical Accounting Estimates and Judgments”.

Warranty commitments

Warranty provisions are based on historic quality rates for established products as well as estimates regarding quality rates for new products and costs to remedy the various types of faults predicted. The actual utilization for 2008 was SEK 1.2 billion and in line with the expected SEK 1 billion. Provisions amounting to SEK 1.6 billion were made and due to more favorable outcomes in certain cases reversals of SEK 0.4 billion were made. The expected utilization of warranty provisions during year 2009 is approximately SEK 1 billion.

Restructuring

In the first quarter 2008, a cost reduction plan of SEK 4 billion in annual savings was announced, including estimated charges of the same size. In the third quarter it was announced that further charges would be taken in the fourth quarter. As part of this cost reduction plan SEK 4.3 billion in provisions were made. The actual utilization was SEK 1.8 billion, where SEK 0.6 billion was related to restructuring programs before 2008. The expected utilization for 2009 is estimated to approximately SEK 3 billion.

Project related

Project related provisions include estimated losses on onerous contracts, contractual penalties and undertakings. The utilization of project related provisions were SEK 2.2 billion and in line with the estimated SEK 2 billion. Provisions amounting to SEK 4.0 billion were made and SEK 0.8 billion were reversed due to a more favorable outcome than expected. The expected utilization for 2009 is estimated to be approximately SEK 3 billion.

Other

Other provisions include provisions for income taxes, value added tax issues, litigations, supplier claims, off balance-customer finance and other provisions. The utilization was SEK 1.0 billion in 2008 compared to the estimate of SEK 2 billion. During 2008 new provisions amounting to SEK 2.1 billion were made and SEK 0.5 billion were reversed during the year due to a more favorable outcome. For 2009, the expected utilization is approximately SEK 2 billion.

C19 Interest-Bearing Liabilities

Ericsson's outstanding interest-bearing liabilities were SEK 30.5 (27.2) billion as of December 31, 2008.

INTEREST-BEARING LIABILITIES

	2008	2007
Borrowings, current		
Current part of non-current borrowings [1]	**3,903**	3,065
Other current borrowings	**1,639**	2,831
Total current borrowings	**5,542**	5,896
Borrowings, non-current		
Notes and bond loans	**18,879**	19,380
Other borrowings, non-current	**6,060**	1,940
Total non-current interest-bearing liabilities	**24,939**	21,320
Total interest-bearing liabilities	**30,481**	27,216

[1] Including notes and bond loans of SEK 3,794 (2,898) million.

All outstanding notes and bond loans are issued by the Parent Company under its Euro Medium Term Note program. Bonds issued at a fixed interest rate are swapped to a floating interest rate using interest rate swaps, resulting in a weighted average interest rate of 6.46 percent at December 31, 2008. These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

On June 5, 2008, the GBP bond issued in 2001 of 226 million matured and was repaid. With this GBP bond repaid, Ericsson does not have any interest rate payments on bonds linked to credit rating.

On July 2, 2008, Ericsson signed a seven year loan of SEK 4.0 billion with the European Investment Bank. The loan supports Ericsson's R&D activities to develop the next generation of mobile broadband technology at sites in Kista, Gothenburg and Linköping in Sweden.

NOTES AND BOND LOANS

Issued–maturing	Nominal amount	Coupon	Currency	Book value (SEK m.)	Maturity date (yy-mm-dd)	Unrealized hedge gain/loss (incl. in book value)
1999–2009	483	6.500%	USD	3,794 [2]	09-05-20	–62
2003–2010	471 [1]	6.750%	EUR	5,256 [2]	10-11-28	–189
2004–2012	450	3.340%	SEK	450	12-12-07 [3]	
2007–2012	1,000	5.100%	SEK	1,079 [2]	12-06-29	–80
2007–2012	2,000	2.728%	SEK	2,000	12-06-29 [4]	
2007–2017	500	5.380%	EUR	5,987 [2]	17-06-27	–547
2007–2014	375	3.319%	EUR	4,107	14-06-27 [5]	
Total				**22,673**		**–878**

[1] The EUR 471 million bond is callable after 2007; the fair value of the embedded derivative is included in the book value of the bond.
[2] Interest rate swaps are designated as fair value hedges.
[3] Contractual repricing date 2009-06-08.
[4] Contractual repricing date 2009-03-29.
[5] Contractual repricing date 2009-03-27.

C20 Financial Risk Management and Financial Instruments

Ericsson's financial risk management is governed by a policy approved by the Board of Directors. The Finance Committee of the Board of Directors is responsible for overseeing the capital structure and financial management of the Company and approving certain matters (such as acquisitions, investments, customer finance commitments, guarantees and borrowing) and is continuously monitoring the exposure to financial risks.

Ericsson defines its managed capital as the total Group equity. For Ericsson, a robust financial position with a strong equity ratio, investment grade rating, low leverage and ample liquidity is deemed important. This provides the financial flexibility and independence to operate and manage variations in working capital needs as well as to capitalize on business opportunities.

The Company's overall capital structure should support the financial targets: to grow faster than the market, deliver best-in-class margins and generate a healthy cash flow. The capital structure is managed by balancing equity, debt financing and liquidity in such a way that we secure funding of our operations at a reasonable cost of capital. Regular borrowings are complemented with committed credit facilities to give additional flexibility to manage unforeseen funding needs. We strive to finance our growth, normal capital expenditures and dividends to shareholders by generating sufficient positive cash flows from operating activities.

Our capital objectives are:

- an equity ratio above 40 percent.
- a cash conversion rate above 70 percent.
- to maintain a positive net cash position.
- to maintain a solid investment grade rating by Moody's and Standard & Poor's.

CAPITAL OBJECTIVES RELATED INFORMATION

	2008	2007
Capital (SEK billion)	**142**	135
Equity ratio (percent)	**50**	55
Cash conversion rate (percent)	**92**	66
Positive net cash (SEK billion)	**34.7**	24.3
Credit rating		
Moody's	**Baa1**	Baa1
Standard & Poor's	**BBB+**	BBB+

Ericsson has a treasury function with the principal role to ensure that appropriate financing is in place through loans and committed credit facilities, to actively manage the Group's liquidity as well as financial assets and liabilities, and to manage and control financial risk exposures in a manner consistent with underlying business risks and financial policies. Hedging activities, cash management and insurance management are largely centralized to the treasury function in Stockholm.

Ericsson also has a customer finance function with the main objective to find suitable third-party financing solutions for customers and to minimize recourse to Ericsson. To the extent customer loans are not provided directly by banks, the Parent Company provides or guarantees vendor credits. The customer finance function monitors the exposure from outstanding vendor credits and credit commitments.

Ericsson classifies financial risks as:

- foreign exchange risk.
- interest rate risk.
- credit risk.
- liquidity and refinancing risk.
- market price risk in own and other equity instruments.

The Board of Directors has established risk limits for defined exposures to foreign exchange and interest rate risks as well as to political risks in certain countries.

For further information about accounting policies, please see Note C1, "Significant Accounting Policies".

Foreign exchange risk

Ericsson is a global company with sales mainly outside Sweden. Revenues and costs are to a large extent in currencies other than SEK and therefore the financial results of the Group are impacted by currency fluctuations.

Ericsson reports the financial accounts in SEK and movements in exchange rates between currencies will affect:

- specific line items such as Net sales and Operating income.
- the comparability of our results between periods.
- the carrying value of assets and liabilities.
- reported cash flows.

The results of operations and financial position of non-Swedish subsidiaries are reported in other currencies than SEK, and translated into SEK upon consolidation.

CURRENCY EXPOSURE

	Overall Exposure		Transaction Exposure in SEK entities	
Currency	Net Sales	Purchases	Internal Sales [2]	Purchases [3]
USD [1]	43%	32%	52%	38%
EUR	25%	25%	27%	23%
GBP	3%	3%	2%	0%
SEK	4%	19%	1%	37%
JPY	3%	2%	7%	1%
AUD	2%	1%	2%	0%
INR	4%	3%	0%	0%
CNY	7%	5%	0%	0%
Other	10%	9%	9%	1%

[1] Including USD related currencies except CNY.
[2] Eliminated upon consolidation. However, net impact on Cost of Sales as the Internal purchases normally is in functional currency of the buying company.
[3] 41 percent of overall purchases, offsetting Internal Sales.

OUTSTANDING DERIVATIVES				
	2008		2007	
Fair value	Asset	Liability	Asset	Liability
Currency derivatives				
Maturity within 3 months	**2,671**	**2,489**	432	537
Maturity between 3 and 12 months	**1,639**	**4,022**	413	474
Maturity 1 to 3 years	**40**	**589**	145	83
Maturity 3 to 5 years	**–**	**–**	–	–
Maturity more than 5 years	**–**	**–**	–	–
Total currency derivatives	**4,350** [2]	**7,100**	990	1,094
of which designated in cash flow hedge relations	***–***	***3,503***	*416*	*13*
of which designated in net investment hedge relations	***8***	***179***	*–69* [1]	*10*
Interest rate derivatives				
Maturity within 3 months	**–**	**–**	–	1
Maturity between 3 and 12 months	**315**	**121**	194	53
Maturity 1 to 3 years	**129**	**25**	226	56
Maturity 3 to 5 years	**105**	**–**	32	3
Maturity more than 5 years	**711**	**53**	184	3
Total interest rate derivatives	**1,260** [2]	**199**	636 [2]	116
of which designated in fair value hedge relations	***1,152***	***–***	*478*	*–*

[1] Negative amounts relate to effects from one exposure of a derivative that is positive/negative while the total effect of the derivative is the opposite.
[2] Of which 2,814 million is reported as non-current assets for 2008 and 96 million for 2007.

Net sales and Operating income are affected by changes in foreign exchange rates from two different kinds of exposures:

Transaction exposure

- Sales and Cost of sales in non-reporting currencies in individual group companies. To a large extent the exposure is concentrated to the Swedish subsidiary Ericsson AB.
- These exposures are addressed by hedging.

Translation exposure

- Sales and Cost of sales in foreign entities are translated into SEK.
- These exposures cannot be addressed by hedging.

The current policy for hedging transaction exposures and the fact that translation exposure related to forecasted results cannot be hedged, results in that only around a fifth of the Group's foreign exchange exposure in Net sales is hedged. The hedge effect on operating margin is larger, as it is a net of Net sales, Cost of sales and Operating expenses.

Transaction exposure

Foreign exchange risk is as far as possible concentrated to Swedish group companies, primarily Ericsson AB. Sales to foreign subsidiaries are normally denominated in the functional currency of the receiving entity, and export sales from Sweden to external customers are normally denominated in USD or other foreign currency. In order to limit the exposure toward exchange rate fluctuations on future revenues or expenditures, committed and forecasted future sales and purchases in major currencies are hedged, for the coming 6–12 months.

According to Company policy, transaction exposure in subsidiaries' balance sheets (i.e. trade receivables and payables and customer finance receivables) should be fully hedged, except for unhedgable currencies. Group Treasury has a mandate to leave selected transaction exposures in local companies' balance sheets un-hedged up to an aggregate Value at Risk (VaR) of SEK 20 million, given a confidence level of 99 percent and a 1-day horizon.

External forward contracts are designated as cash flow hedges of the net exposure for the main currencies and companies of the Group.

Other foreign exchange exposures in balance sheet items are hedged through offsetting balances or derivatives.

As of December 31, 2008, outstanding foreign exchange derivatives hedging transaction exposures had a negative net market value of SEK 2.9 (positive 0.1) billion. The market value is partly deferred in the hedge reserve in equity to offset the gains/losses on hedged future sales in foreign currency. The remaining negative balance corresponds to the change in value of trade receivable balances being remeasured at higher rates compared to the exchange rates prevailing when originated.

Cash flow hedges

The purpose of hedging future cash flows is to protect operating margin and reduce volatility in the income statement. Hedging is done by selling or buying foreign currencies against the functional currency of the hedging entity using FX forwards.

Hedging is done based on a rolling 12-month exposure forecast. Ericsson uses a layered hedging approach, where the closest quarters are hedged to a higher degree than later quarters. Each consecutive quarter is hereby hedged on several occasions and is covered by an aggregate of hedging contracts initiated at various points in time, which supports the objective of reducing volatility in the income statement from changes in foreign exchange rates.

Translation exposure in net assets

Ericsson has many subsidiaries operating outside Sweden with other functional currencies than SEK. The results and net assets of such companies are exposed to exchange rate fluctuations, which affect the consolidated income statement and balance sheet when translated to SEK. Translation risk related to forecasted results from foreign operations cannot be hedged, but net assets can be addressed by hedging.

Translation exposure in foreign subsidiaries is hedged according to the following policy established by the Board of Directors:

Translation risk related to net assets in foreign subsidiaries is hedged up to 20 percent in selected companies. The translation differences reported in equity during 2008 were positive, SEK 8.5 billion, including hedging loss of SEK 0.7 billion.

Net investment hedges

The purpose of net investment hedges is to protect the value in SEK of net investments in foreign entities from changes in the relevant foreign exchange rates. Hedging is done selling the relevant foreign currency against SEK using FX forwards.

Interest rate risk

Ericsson is exposed to interest rate risk through market value fluctuations in certain balance sheet items and through changes in interest revenues and expenses. The net cash position was SEK 34.7 (24.3) billion at the end of 2008, consisting of cash, cash equivalents and short-term investments of SEK 75.0 (57.7) billion and interest-

bearing liabilities and post-employment benefits of SEK 40.4 (33.4) billion.

Ericsson manages the interest rate risk by (i) matching fixed and floating interest rates in interest-bearing balance sheet items and (ii) avoiding significant fixed interest rate exposure in Ericsson's net cash position. The policy is that interest-bearing assets shall have an average interest duration between 10 and 14 months and interest-bearing liabilities an average interest duration shorter than 6 months, taking derivative instruments into consideration. Treasury has a mandate to deviate from the asset management benchmark given by the Board and take FX positions up to an aggregate risk of VaR SEK 30 m. given a confidence level of 99 percent and a 1-day horizon.

As of December 31, 2008, 87 (92) percent of Ericsson's interest-bearing liabilities and 100 (100) percent of Ericsson's interest-bearing assets had floating interest rates, i.e. interest periods of less than 12 months.

When managing the interest rate exposure, Ericsson uses derivative instruments, such as interest rate swaps. Derivative instruments used for converting fixed rate debt into floating rate debt are designated as fair value hedges.

Fair value hedges

The purpose of fair value hedges is to hedge the variability in the fair value of fixed-rate debt (issued bonds) from changes in the relevant benchmark yield curve for its entire term by converting fixed interest payments to a floating rate (e.g. STIBOR or LIBOR) by using interest rate swaps (IRS). The credit risk/spread is not hedged.

The fixed leg of the IRS is matched against the cash flows of the hedged bond. Hereby the fixed-rate bond/debt is converted into a floating-rate debt in accordance with the policy.

Sensitivity analysis

Ericsson uses the VaR methodology to measure foreign exchange and interest rate risks in portfolios managed by Treasury. This statistical method expresses the maximum potential loss that can arise with a certain degree of probability during a certain period of time. For the VaR measurement, Ericsson has chosen a probability level of 99 percent and a 1-day time horizon. The daily VaR measurement uses market volatilities and correlations based on historical daily data (one year).

The average VaR calculated for 2008 was for the interest rate mandate SEK 20.5 (16.1) million and for the transaction exposure mandate SEK 14.4 (13.5) million. No VaR-limits were exceeded during 2008.

Financial credit risk

Financial instruments carry an element of risk in that counterparts may be unable to fulfill their payment obligations. This exposure arises in the investments in cash, cash equivalents, short-term Investments and from derivative positions with positive unrealized results against banks and other counterparties.

Ericsson mitigates these risks by investing cash primarily in well-rated securities such as treasury bills, commercial papers, and mortgage covered bonds with short-term ratings of at least A-1/P-1 and long-term ratings of AAA. Separate credit limits are assigned to each counterpart in order to minimize risk concentration. We have had no sub-prime exposure in our investments. All derivative transactions are covered by ISDA netting agreements to reduce the credit risk. No credit losses were incurred during 2008, neither on external investments nor on derivative positions.

At December 31, 2008, the credit risk in financial cash instruments was equal to the instruments' carrying value. Credit exposure in derivative instruments was SEK 5.6 (1.6) billion.

Liquidity risk

Liquidity risk is that Ericsson is unable to meet its short-term payment obligations due to insufficient or illiquid cash reserves.

Ericsson maintains sufficient liquidity through centralized cash management, investments in highly liquid interest-bearing securities, and by having sufficient committed credit lines in place to meet potential funding needs. For information about contractual obligations, please see the Board of Directors' Report. The current cash position is deemed to satisfy all short-term liquidity requirements.

During 2008, cash and bank and short-term investments increased by SEK 17.3 billion to SEK 75.0 billion. The increase was mainly due to positive operating cash flow and issuance of non-current debt.

CASH AND SHORT-TERM INVESTMENTS

	Remaining time to maturity				
(SEK billion)	< 3 months	< 1 year	1–5 years	>5 years	Total
2008	43.5	23.7	5.9	1.9	75.0
2007	29.8	18.0	8.9	1.0	57.7

The instruments are either classified as held for trading or as assets available for sale with maturity less than one year and therefore short-term investments.

Refinancing risk

Refinancing risk is the risk that Ericsson is unable to refinance outstanding debt at reasonable terms and conditions, or at all, at a given point in time.

REPAYMENT SCHEDULE OF LONG-TERM BORROWINGS [1)]

Nominal amount (SEK billion)	Current maturities of long-term debt	Notes and bonds (non-current)	Liabilities to financial institutions (non-current)	Total
2009	3.7	–	0.1	**3.8**
2010	–	5.1	0.2	**5.3**
2011	–	–	0.1	**0.1**
2012	–	3.5	0.1	**3.6**
2013	–	–	0.1	**0.1**
2014	–	4.1	–	**4.1**
2015	–	–	4.0	**4.0**
2016	–	–	–	**–**
2017	–	5.5	–	**5.5**
Total	**3.7**	**18.2**	**4.6**	**26.5**

1) Excluding finance leases reported in Note C27, "Leasing".

Debt financing is mainly carried out through borrowing in the Swedish and international debt capital markets.

Bank financing is used for certain subsidiary funding and to obtain committed credit facilities.

FUNDING PROGRAMS	Amount	Utilized	Unutilized
Euro Medium-Term Note program (USD m.)	5,000	2,730	2,270
Euro Commercial Paper program (USD m.)	1,500	–	1,500
Swedish Commercial Paper program (SEK m.)	5,000	–	5,000
Long-term Committed Credit facility (USD m.)	2,000	–	2,000
European Investment Bank (SEK m.)	4,000	4,000	–
Indian Commercial Paper program (INR m.)	5,000	200	4,800

At year-end, Ericsson's creditratings remained at Baa1 (Baa1) by Moody's and BBB+ (BBB+) by Standard & Poor's, both considered to be "Solid Investment Grade".

Financial instruments carried at other than fair value

In the following tables, carrying amounts and fair values of financial instruments that are carried in the financial statements at other than fair values are presented. Assets valued at fair value through profit or loss showed a net loss of SEK 0,3 billion. For further information about valuation principles, please see Note C1, "Significant accounting policies".

FINANCIAL INSTRUMENTS, CARRYING AMOUNTS

SEK billion	Customer finance C14	Trade receivables C14	Short-term investments	Cash and cash equivalents	Borrowings C19	Trade payables C22	Other financial assets C12	Other current receivables C15	Other current liabilities C21	**2008**	2007
Assets at fair value through profit or loss			37.2	8.9				2.8	–7.3	**41.6**	39.1
Loans and receivables	2.8	75.9		4.2			4.5			**87.4**	67.8
Available for sale assets							0.3			**0.3**	1.1
Financial liabilities at amortized cost					–30.5	–23.5				**–54.0**	–44.6
Total	**2.8**	**75.9**	**37.2**	**13.1**	**–30.5**	**–23.5**	**4.8**	**2.8**	**–7.3**	**75.3**	63.4

FINANCIAL INSTRUMENTS CARRIED AT OTHER THAN FAIR VALUE[1)]

	Carrying amount		Fair value	
SEK billion	**2008**	2007	**2008**	2007
Current maturities of non-current borrowings	**3.9**	2.9	**4.0**	3.1
Notes and bonds	**18.9**	19.4	**15.9**	19.4
Other borrowings non-current	**4.6**	–	**3.7**	–
Total	**27.4**	22.3	**23.6**	22.5

1) Excluding finance leases reported in Note C27, "Leasing".

Financial instruments excluded from the tables, such as trade receivables and payables, are carried at amortized cost which is deemed to be equal to fair value. When a market price is not readily available and there is insignificant interest rate exposure affecting the value, the carrying value is considered to represent a reasonable estimate of fair value.

Market price risk in own shares and other listed equity investments

Risk related to our own share price

Ericsson is exposed to the development of its own share price through stock option and stock purchase plans for employees. The obligation to deliver shares under these plans is covered by holding Ericsson Class B shares as treasury stock and warrants for issuance of new Ericsson Class B shares. An increase in the share price will result in social security charges, which represents a risk to both income and cash flow. The cash flow exposure is fully hedged through the holding of Ericsson Class B shares as treasury stock to be sold to generate funds to cover also social security payments, and through the purchase of call options on Ericsson Class B shares.

C21 Other Current Liabilities

	2008	2007
Income tax liabilities	**2,213**	1,126
Advances from customers	**4,412**	3,419
Liabilities to associated companies	**93**	49
Accrued interest	**421**	466
Accrued expenses, of which	**24,289**	21,369
employee related	***10,369***	*9,443*
other [1]	***13,920***	*11,926*
Deferred revenues	**9,204**	5,961
Derivatives with a negative value	**7,299**	1,210
Other [2]	**13,101**	11,395
Total	**61,032**	44,995

[1] Major balance relates to accrued expenses for customer projects.
[2] Includes items such as VAT and withholding tax payables, social security payables and other payroll deductions and liabilities for delivered goods where invoice is not yet received.

C22 Trade Payables

	2008	2007
Payables to associated companies and joint ventures	**83**	90
Other	**23,421**	17,337
Total	**23,504**	17,427

C23 Assets Pledged as Collateral

	2008	2007
Assets pledged as collateral	**–**	1,639
Chattel mortgages	**149**	130
Bank deposits	**267**	230
Total	**416**	1,999

C24 Contingent Liabilities

	2008	2007
Contingent liabilities	**1,080**	1,182
Total	**1,080**	1,182

Contingent liabilities assumed by Ericsson include guarantees of loans to other companies of SEK 72 (73) million. Ericsson has SEK 568 (492) million issued to guarantee the performance of a third party. All ongoing legal and tax proceedings have been evaluated, their potential economic outflows and probability estimated and necessary provisions made.

C25 Statement of Cash Flows

Interest paid in 2008 was SEK 1,689 million (SEK 1,513 million in 2007, SEK 1,353 million in 2006) and interest received was SEK 2,375 million (SEK 1,864 million in 2007, SEK 1,539 million in 2006). Taxes paid, including withholding tax, were SEK 4,274 million (SEK 5,116 million in 2007, SEK 3,649 million in 2006).

For more information regarding the disposition of cash and cash equivalents and unutilized credit commitments, see Note C20, "Financial Risk Management and Financial Instruments".

Cash restricted due to currency restrictions or other legal restrictions in certain countries amounted to SEK 8,197 million (SEK 5,797 million in 2007, SEK 5,794 million in 2006).

In 2008 the divestment of shares in Symbian, with a cash flow effect of SEK 1,256 million, is included in divestments in subsidiaries and other operations.

ADJUSTMENTS TO RECONCILE NET INCOME TO CASH

	2008	2007	2006
Property, plant and equipment			
Depreciation	**3,108**	3,121	3,007
Impairment losses/reversals of impairments	**–3**	–207	30
Total	**3,105**	2,914	3,037
Intangible assets			
Amortization			
Capitalized development expenses	**1,726**	2,371	2,277
Intellectual Property Rights, brands and other intangible assets	**3,280**	3,062	1,960
Total amortization	**5,006**	5,433	4,237
Impairments			
Capitalized development expenses	**562**	16	242
Total	**5,568**	5,449	4,479
Total depreciation, amortization and impairment losses on property, plant and equipment and intangible assets	**8,673**	8,363	7,516
Taxes	**1,032**	1,119	4,282
Dividends from joint ventures/ associated companies	**3,863**	4,223	1,262
Undistributed earnings in joint ventures/associated companies	**291**	–5,636	–4,233
Gains/losses on sales of investments and operations, intangible assets and PP&E, net	**–1,210**	–254	–2,815
Other non-cash items [1]	**1,669**	–643	48
Total adjustments to reconcile net income to cash	**14,318**	7,172	6,060

[1] Refers mainly to unrealized foreign exchange on financial instruments.

C26 Business Combinations

Acquisitions and divestments

Acquisitions

	2008	2007	2006
Intangible assets	**–209**	11,627	15,648
Property, plant and equipment	**–**	325	1,257
Goodwill	**–882**	16,917	163
Other assets	**887**	4,266	4,422
Provisions, including post-employment benefits	**–**	–127	–812
Other liabilities	**278**	–6,227	–2,689
Purchase of minority holdings	**–**	45	89
Cash and cash equivalents	**–**	2,387	1,781
Total purchase price	**74**	29,213	19,859
Less:			
Cash and cash equivalents	**–**	2,387	1,781
Consideration payable	**–**	534	–
Cash flow effect	**74**	26,292	18,078

In 2008, Ericsson made acquisitions with a cash flow effect amounting to SEK 74 million (SEK 26,292 million in 2007).

The preliminary purchase price allocations made in 2007 related to acquired businesses were finalized in 2008 with the following effects:

- **Redback:** An increase in deferred tax assets of SEK 593 million, goodwill decreased correspondingly.
- **Tandberg:** Decreased intangible assets by SEK 209 million, increased goodwill by SEK 71 million and increased deferred tax assets by SEK 138 million.
- **Entrisphere (included in Other):** An increase in deferred tax assets of SEK 130 million, goodwill decreased correspondingly.

In addition goodwill decreased by SEK 260 million, regarding Entrisphere, since the additional consideration never was materialized.

REDBACK BUSINESS (2007)

Net assets acquired	Book value	Fair value adjustments	Fair value
Intangible assets			
Intellectual property rights	–	3,272	3,272
Brands	–	609	609
Customer relationships	–	1,575	1,575
Goodwill	–	9,354	9,354
Other assets and liabilities			
Inventory	96	–	96
Property, plant and equipment	153	–	153
Other assets	2,625	–	2,625
Other liabilities	–768	–2,122	–2,890
Total purchase price			14,794
Less:			
Cash and cash equivalents	952	–	952
Consideration payable	–	275	275
Cash flow effect			13,567

The determination of purchase price allocation and fair values of assets acquired and liabilities assumed is based on preliminary appraisal; therefore, these values may be subject to minor adjustments.

TANDBERG BUSINESS (2007)

Net assets acquired	Book value	Fair value adjustments	Fair value
Intangible assets			
Intellectual property rights	–	2,712	2,712
Brands	–	276	276
Customer relationships	–	1,486	1,486
Goodwill	–	5,442	5,442
Other assets and liabilities			
Inventory	227	–	227
Property, plant and equipment	124	–	124
Other assets	1,938	–	1,938
Post-employment benefits	–62	–	–62
Other liabilities	–924	–1,432	–2,356
Total purchase price			9,787
Less:			
Cash and cash equivalents	742	–	742
Cash flow effect			9,045

The determination of purchase price allocation and fair values of assets acquired and liabilities assumed is based on preliminary appraisal; therefore, these values may be subject to minor adjustments.

LHS BUSINESS (2007)

Net assets acquired	Book value	Fair value adjustments	Fair value
Intangible assets			
Intellectual property rights	–	367	367
Brands	–	43	43
Customer relationships	–	777	777
Goodwill	–	1,293	1,293
Other assets and liabilities			
Property, plant and equipment	32	–	32
Other assets	866	–	866
Minority interest	–82	–	–82
Other liabilities	–252	–380	–632
Total purchase price			2,664
Less:			
Cash and cash equivalents	249	–	249
Cash flow effect			2,415

The determination of purchase price allocation and fair values of assets acquired and liabilities assumed is based on preliminary appraisal; therefore, these values may be subject to minor adjustments.

Divestments

Net assets disposed of	2008	2007	2006
Property, plant and equipment	**3**	13	253
Other assets	**1,005**	498	2,946
Provisions, including post-employment benefits	**–**	–19	–89
Other liabilities	**–456**	–234	–2,079
	552	258	1,031
Gains from divestments	**296**	280	2,945
Less:			
Cash and cash equivalents	**194**	454	890
Cash flow effect	**654**	84	3,086[1]

[1] The amount mainly relates to the sale of the Defense business.

ENTERPRISE BUSINESS	
Net assets disposed of	**2008**
Property, plant and equipment	**3**
Other assets	**783**
Other liabilities	**–300**
	486
Gains from divestments	**151**
Less:	
Cash and cash equivalents	**–**
Cash flow effect	**637**

In 2008, Ericsson made divestments with a cash flow effect amounting to SEK 654 million (SEK 84 million in 2007), primarily:

- **Enterprise:** As per May 1, 2008, the PBX solutions business was sold to Aastra Technologies. Sales in 2007 amounted to approximately SEK 3.0 billion.

ACQUISITIONS 2006–2008

Company	Description	Date
Mobeon	Swedish company. Acquisition of shares.	Mar 31, 2008
HyC	Spanish company with around 110 employees that specializes in design and systems integration of IPTV networks.	Dec 30, 2007
LHS	German provider of post-paid billing and customer care systems for wireless, wireline, and IP telecom markets. Purchase price SEK 2.7 billion.	Oct 1, 2007
Drutt	Swedish company, with around 85 employees, that develops Mobile Service Delivery Platform which enables mobile operators to mobilize and charge for any content to any device, over any delivery channel.	June 28, 2007
Tandberg Television	Norwegian global supplier of products for digital TV solutions, including IPTV, HDTV, video on demand, advertising on demand and interactive TV applications. Purchase price SEK 9.8 billion.	May 1, 2007
Mobeon	Swedish business, with around 130 employees that develops IP messaging software technology.	Mar 15, 2007
Entrisphere	US-based company, with around 140 employees, that develops gigabit passive optical network (GPON) technology for fixed broadband access, i.e. FTTx.	Feb 12, 2007
Redback Networks	US supplier of multi-service routing platform for broadband services such as VoIP, IPTV and Video On-Demand. Purchase price SEK 14.8 billion.	Jan 23, 2007
Distocraft Oy	Assets of Finnish company specialized in software development and with around 40 employees that develop mobile network performance management systems.	Aug 31, 2006
Netwise	Swedish-based supplier of software for presence management, team collaboration, integration of mobile phones, IP telephony and multimedia for enterprise.	Aug 11, 2006
Marconi assets	Certain assets related to broadband access, optical and radio transmission, data networks and service layer were acquired from UK-based Marconi. Purchase price SEK 19.4 billion.	Jan 23, 2006

DIVESTMENTS 2006–2008

Company	Description	Date
Enterprise	PBX solutions business. Cash flow effect SEK 0.6 billion.	May 1, 2008
Ericsson Microwave Systems	Swedish provider of radar, command and control systems for defense applications. Cash flow effect SEK 3.1 billion.	Sept 1, 2006

C27 Leasing

Leasing with the Company as lessee

Assets under finance leases, recorded as property, plant and equipment, consist of:

FINANCE LEASES	2008	2007
Acquisition costs		
Real estate	**2,059**	1,743
Machinery	**4**	4
	2,063	1,747
Accumulated depreciation		
Real estate	**–763**	–589
Machinery	**–4**	–2
	–767	–591
Accumulated impairment losses		
Real estate	**–10**	–80
Net carrying value	**1,286**	1,076

As of December 31, 2008, future minimum lease payment obligations for leases were distributed as follows:

	Finance leases	Operating leases
2009	208	3,429
2010	199	2,757
2011	156	2,153
2012	144	1,673
2013	144	984
2014 and later	1,381	2,951
Total	**2,232**	**13,947**
Future finance charges [1]	–804	n/a
Present value of finance lease liabilities	1,428	13,947

[1] Average effective interest rate on lease payables is 5.78 percent.

Expenses in 2008 for leasing of assets were SEK 4,708 (2,878) million, of which variable expenses were SEK 1 (8) million. The leasing contracts vary in length from 1 to 20 years.

The Company's lease agreements normally do not include any contingent rents. In the few cases they occur, it relates to charges for heating linked to the oil price index. Most of the leases of real estate contain terms of renewal, giving the right to prolong the agreement in question for a predefined period of time. All of the finance leases of facilities contain purchase options. Only a very limited number of the Company's lease agreements contain restrictions on stockholders' equity or other means of finance. The major agreement contains a restriction stating that the Parent Company must maintain a stockholders' equity of at least SEK 25 billion.

Leases with the Company as lessor

Leasing income mainly relates to subleasing of real estate. These leasing contracts vary in length from 1 to 10 years.

At December 31, 2008, future minimum payment receivables were distributed as follows:

	Finance leases	Operating leases
2009	–	122
2010	–	72
2011	–	25
2012	–	1
2013	–	1
2014 and later	–	3
Total	**–**	**224**
Unearned financial income	–	n/a
Uncollectible lease payments	–	n/a
Net investments in financial leases	–	n/a

Leasing income in 2008 was SEK 205 (160) million.

C28 Tax Assessment Values in Sweden

	2008	2007
Land and land improvements	**58**	58
Buildings	**265**	265
Total	**323**	323

C29 Information Regarding Employees, Members of the Board of Directors and Management

Number of employees

AVERAGE NUMBER OF EMPLOYEES

	Men	Women	2008 Total	Men	Women	2007 Total
Western Europe [1]	**32,289**	**9,167**	**41,456**	32,118	8,961	41,079
Central and Eastern Europe, Middle East and Africa	**7,028**	**1,723**	**8,751**	5,483	1,596	7,079
Asia Pacific	**12,111**	**3,343**	**15,454**	10,952	2,844	13,796
Latin America	**6,151**	**1,335**	**7,486**	4,779	1,058	5,837
North America	**4,556**	**1,286**	**5,842**	4,329	1,225	5,554
Total [2]	**62,135**	**16,854**	**78,989**	57,661	15,684	73,345
[1] *Of which Sweden*	***14,685***	***4,990***	***19,675***	*14,128*	*4,618*	*18,746*
[2] *Of which EU*	***34,100***	***9,633***	***43,733***	*33,563*	*9,351*	*42,914*

NUMBER OF EMPLOYEES AT YEAR END

Employees by region	**2008**	2007
Western Europe [1]	**41,618**	41,517
Central and Eastern Europe, Middle East and Africa	**7,976**	7,329
Asia Pacific	**15,165**	13,120
Latin America	**8,247**	6,547
North America	**5,734**	5,498
Total [2]	**78,740**	74,011
[1] *Of which Sweden*	***20,155***	*19,781*
[2] *Of which EU*	***43,093***	*42,387*

Employees per segment	**2008**	2007
Networks	**45,823**	44,661
Professional Services	**23,244**	19,790
Multimedia	**9,673**	9,560
Total	**78,740**	74,011

EMPLOYEES BY GENDER AND AGE AT YEAR END 2008

	Female	Male	Percent of total
Under 25 years old	790	2,502	4%
26–35 years old	6,099	21,757	35%
36–45 years old	6,730	23,754	39%
46–55 years old	2,530	10,562	17%
Over 55 years old	799	3,237	5%
Percent of total	**21%**	**79%**	**100%**

NUMBER OF EMPLOYEES RELATED TO COST OF SALES AND OPERATING EXPENSES

	2008	2007	2006
Cost of sales	**35,717**	33,904	27,682
Operating expenses	**43,023**	40,107	36,099
Total	**78,740**	74,011	63,781

EMPLOYEE MOVEMENTS

	2008	2007
Head count at year-end	**78,740**	74,011
Employees who have left the Company	**3,415**	6,657
Employees who have joined the Company	**8,144**	16,887
Temporary employees	**1,124**	1,415

Remuneration

WAGES AND SALARIES AND SOCIAL SECURITY EXPENSES

	2008	2007
Wages and salaries	**38,607**	34,111
Social security expenses	**12,690**	10,660
Of which pension costs	***3,206***	*3,074*

Amounts related to the President and CEO and the Group Management Team are included.

WAGES AND SALARIES PER REGION

	2008	2007
Western Europe [1]	**24,138**	22,278
Central and Eastern Europe, Middle East and Africa	**3,354**	2,520
Asia Pacific	**4,594**	3,714
Latin America	**1,879**	1,431
North America [2]	**4,642**	4,168
Total [3]	**38,607**	34,111
[1] *Of which Sweden*	***11,825***	*11,025*
[2] *Of which United States*	***3,296***	*2,904*
[3] *Of which EU*	***24,699***	*22,603*

Remuneration in foreign currency has been translated to SEK at average exchange rates for the year.

REMUNERATION TO BOARD MEMBERS AND PRESIDENTS IN SUBSIDIARIES

	2008	2007
Salary and other remuneration	**316**	266
Of which annual variable remuneration	***41***	*43*
Pension costs	**36**	28

BOARD MEMBERS, PRESIDENTS AND GROUP MANAGEMENT BY GENDER AT YEAR END

	2008		2007	
	Females	Males	Females	Males
Parent Company				
Board members and President	**38%**	**62%**	38%	62%
Group Management	**9%**	**91%**	10%	90%
Subsidiaries				
Board members and Presidents	**12%**	**88%**	11%	89%

Remuneration policy and remuneration to the Board of Directors and to the Group Management

Remuneration Policy for Group Management

The following principles for remuneration and other employment terms for Group Management were approved by the Annual General Meeting 2008.

2008 Remuneration Policy for Group Management

Remuneration of Group Management in Ericsson is based on the principles of performance, competitiveness and fairness. Different remuneration elements are designed to reflect these principles. Therefore a mix of several remuneration elements is applied in order to reflect the remuneration principles in a balanced way.

The Group Management's total remuneration consists of fixed salary, variable components in the form of annual short-term variable remuneration and long-term variable remuneration, pension and other benefits.

Together these elements constitute an integral remuneration package. If the size of any of the elements should be increased or decreased, at least one other element has to be decreased or increased if the competitive position of the total package should remain unchanged.

The annual report 2008 sets out details on the total remuneration and benefits awarded to the Group Management during 2008 including previously decided long-term variable compensation that has not yet become due for payment.

Relative importance of fixed and variable components of the remuneration of Group Management and the linkage between performance and remuneration

Ericsson takes account of global remuneration practice together with the practice of the home country of each member of the Group Management.

Fixed salary is set to be competitive. Its absolute level is determined by the size and complexity of the job and the year to year performance of the individual jobholder.

Performance is specifically reflected in the variable components, both in an annual variable component and in a long-term variable part. Although this may vary over time to take account of pay trends, currently the target level of the short-term variable remuneration for Group Management is 30–40 percent of the fixed salary. The long-term variable remuneration is set to achieve a target of around 30 percent of the fixed salary. In both cases, the variable pay is measured against the achievement of specific business objectives, reflecting the judgment of the Board of Directors as to the right balance between fixed and variable pay and the market practice for compensation of executives. All variable remuneration plans have maximum award and vesting limits.

With the current composition of Group Management, the Company's cost during 2008 for the short-term variable and the long-term variable remuneration of Group Management can, at constant share price, amount to between 0 and 125 percent of the aggregate fixed salary cost, all excluding social security costs.

The principal terms of variable remuneration

The annual variable remuneration is through a cash based program with specific business targets derived from the annual business plan approved by the Board of Directors. The exact nature of the targets will vary depending on the specific job but may include financial targets at either corporate level or at a specific business unit level, operational targets, employee motivation targets and customer satisfaction targets.

Pension

Pension benefits shall follow the competitive level in the home country. For Group Management in Sweden, the Company applies a defined contribution scheme for old age pension in addition to the basic pension plans on the Swedish labor market.

The retirement age is normally 60 years but can be different in individual cases.

Additional remuneration arrangements

By way of exception, additional arrangements can be made when deemed required in order to attract or retain key competences or skills, or to make individuals move to new locations or positions. Such additional arrangement shall be limited in time and shall not exceed a period of 36 months and two times the compensation the individual concerned would have received had no additional arrangement been made.

Notice of termination and severance pay

For Group Management in Sweden the mutual notice period is six months. Upon termination of employment by the Company, severance pay amounting to a maximum of 18 months fixed salary is paid. Notice of termination given by the employee due to significant structural changes or other events occurred that, in a determining manner, affect the content of work or the condition for the position is equated with notice of termination served by the Company.

Remuneration to the Board of Directors

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS DURING 2008

SEK	Amount of Board fee	Committee fee	Employee representative fee	Total fees paid out	Portion of Board fee in synthetic shares	Number of synthetic shares	Effect of changed market price [1]	Accounted debt for synthetic shares [2]	**Total costs recognized**
Board member									
Michael Treschow	3,750,000	250,000	–	1,187,500	75%	38,323.80	– 567,145	2,245,355	**3,432,855**
Marcus Wallenberg	750,000	125,000	–	687,500	25%	2,554.80	– 37,817	149,683	**837,183**
Sverker Martin-Löf	750,000	250,000	–	1,000,000	0%	–	–	–	**1,000,000**
Roxanne S. Austin	750,000	–	–	187,500	75%	7,664.60	– 113,438	449,062	**636,562**
Peter L. Bonfield	750,000	250,000	–	812,500	25%	2,554.80	– 37,817	149,683	**962,183**
Börje Ekholm	750,000	125,000	–	312,500	75%	7,664.60	– 113,438	449,062	**761,562**
Ulf J. Johansson	750,000	350,000	–	537,500	75%	7,664.60	– 113,438	449,062	**986,562**
Nancy McKinstry	750,000	125,000	–	312,500	75%	7,664.60	– 113,438	449,062	**761,562**
Anders Nyrén	750,000	125,000	–	875,000	0%	–	–	–	**875,000**
Carl-Henric Svanberg	–	–	–	–	–	–	–	–	**–**
Jan Hedlund	–	–	16,500	–	–	–	–	–	**16,500**
Monica Bergström	–	–	15,000	–	–	–	–	–	**15,000**
Karin Åberg	–	–	16,500	–	–	–	–	–	**16,500**
Anna Guldstrand	–	–	15,000	–	–	–	–	–	**15,000**
Kristina Davidsson	–	–	15,000	–	–	–	–	–	**15,000**
Pehr Claesson	–	–	12,000	–	–	–	–	–	**12,000**
Torbjörn Nyman	–	–	4,500	–	–	–	–	–	**4,500**
Total	**9,750,000**	**1,600,000**	**94,500**	**6,007,000**		**74,091.80**	**– 1,096,531**	**4,340,969**	**10,347,969**
Social security fees				1,706,764				1,232,388	**2,939,152**
Total				**7,713,764**				**5,573,357**	**13,287,121**

[1] Difference of the B share value on December 31, 2008 and at grant date.
[2] Based on the B share value on December 31, 2008.

Comments to the table

- The Chairman of the Board was entitled to a Board fee of SEK 3,750,000. The Chairman also received SEK 125,000 for each Board committee on which he served.
- The other Directors appointed by the Annual General Meeting were entitled to a fee of SEK 750,000 each. In addition, each Director serving on a Board committee received a fee of SEK 125,000 for each committee. However, the Chairman of the Audit Committee received a fee of SEK 350,000 and the other two members of the Audit Committee received a fee of SEK 250,000 each.
- Members of the Board, who are not employees of the Company, have not received any remuneration other than the fees and synthetic shares as above.
- 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 1,500 per attended Board meeting was paid to each employee representative on the Board.
- The Annual General Meeting 2008 resolved that non-employed Directors can choose to receive the fee in respect of the Board assignment (exclusive of committee work) as follows: i) 25 percent of the fee in cash and a number of synthetic shares, the value of which at the time of allocation corresponds to 75 percent of the fee, ii) 50 percent of the fee in cash and 50 percent in the form of synthetic shares, or iii) 75 percent in cash and 25 percent in the form of synthetic shares. Directors may also choose not to participate in the synthetic share program.

  The number of synthetic shares is based on a volume weighed average of the market price of Ericsson Class B shares on the NASDAQ OMX Stockholm exchange during the five trading days immediately following the publication of the Company's interim report for the first quarter of 2008 (April 28 – May 5): SEK 14.6775 (after the reversed split SEK 73.3875). Following the reverse split of shares 1:5, the number of synthetic shares was recalculated by an independent accounting firm appointed by the Stockholm Chamber of Commerce in accordance with the terms and conditions for the synthetic shares resolved by the Annual General Meeting 2008.

  The Directors' right to receive payment with regard to the allocated synthetic shares occurs after the publication of the Company's year-end financial statement during the fifth year following the Annual General Meeting which resolved on the allocation of the synthetic shares, i.e. in 2013.

  The amount payable shall be determined based on the volume weighed average price for shares of Class B during the five trading days immediately following the publication of the year-end financial statement.

  The total accounted debt for the synthetic share program per December 31, 2008, is SEK 5,573,357.

Remuneration to the Group Management

REMUNERATION PAID TO THE PRESIDENT AND CEO AND OTHER MEMBERS OF GROUP MANAGEMENT DURING 2008

SEK	The President	Other Members of Group Management	Total
Salary	15,886,500	59,759,989	**75,646,489**
Annual variable remuneration earned 2007 and paid 2008	1,216,000	8,652,714	**9,868,714**
Long-term variable remuneration	3,264,551	7,901,861	**11,166,412**
Other benefits	56,340	2,294,217	**2,350,557**
Total	**20,423,391**	**78,608,781**	**99,032,172**

Comments to the table

- The annual fixed salary for the President and CEO was adjusted from SEK 15,200,000 to SEK 15,750,000 from January 1, 2008. The salary amount stated in the table includes vacation salary.
- The Board of Directors has appointed four Executive Vice Presidents, of whom two have resigned during the year. No one of these executives has during the year acted as deputy to the President and CEO. All Executive Vice Presidents are included in the group "Other members of Group Management".
- The group "Other members of Group Management" comprises the following persons: Hans Vestberg, Kurt Jofs, Bert Nordberg, Björn Olsson, Carl Olof Blomqvist, Håkan Eriksson, Jan Frykhammar, Marita Hellberg, Torbjörn Possne (from February 1, 2008), Henry Sténson, Joakim Westh (until December 31, 2008), Johan Wibergh (from July 1, 2008) and Jan Wäreby. Kurt Jofs and Björn Olsson both left the Group Management Team as of July 1, 2008, and are included during their notice periods up to December 31, 2008. Karl-Henrik Sundström left the Group Management Team on October 25, 2007, but is included up to April 24, 2008, as he was fulfilling his six months notice period. Joakim Westh left the Group Management Team as of January 1, 2009, but is fulfilling his 6 months notice period up to June 30, 2009.
- "Long-term variable remuneration" refers for the President and CEO to the value of matching shares received during 2008 (45,003 Class B shares) under the Stock Purchase Plans 2003 and 2005 and under the Executive Performance Stock Plan 2004 (three of four quarterly matchings). For other members of Group Management "Long-term variable remuneration" refers to the value of exercised stock options during 2008 (22,000 options) under the Stock Option Plan 2002 and to the value of matching shares received during 2008 (100,948 Class B shares) under the Stock Purchase Plans 2003 and 2005 and under the Executive Performance Stock Plan 2004.
  The values are based on the share price at matching respectively at exercise.

REMUNERATION COSTS INCURRED DURING 2008 FOR THE PRESIDENT AND CEO AND OTHER MEMBERS OF GROUP MANAGEMENT

SEK	The President	Other Members of Group Management	Total
Salary	15,886,500	59,759,989	**75,646,489**
Provisions for annual variable remuneration earned 2008 to be paid 2009	630,000	16,287,601	**16,917,601**
Long-term variable remuneration provision	7,458,319	12,905,987	**20,364,306**
Other benefits	56,340	2,294,217	**2,350,557**
Pension costs	8,815,150	33,831,233	**42,646,383**
Social security fees	9,004,627	35,581,309	**44,585,936**
Total	**41,850,936**	**160,660,336**	**202,511,272**

Comments to the table

- The provisions for the annual variable remuneration 2008 correspond to 4 percent of the fixed salary for the President and CEO and to 34 percent for other members of the Group Management
- "Long-term variable remuneration provision" includes the compensation cost during 2008 for share based programs, which represent Group Management's part of total compensation costs as disclosed under "Shares for all plans".
  Under IFRS, a company shall recognize costs for share based compensation plans to employees, being a measure of the value to the company of services received from the employees under the plans.
- For the President and CEO and other members of Group Management a defined contribution plan is applied. They were also entitled to pension in accordance with the occupational pension plan for salaried staff on the Swedish labor market (ITP) from 60 years. These pension plans are not conditional upon future employment at Ericsson.
  In the defined contribution plan, the Company pays a contribution of between 25 and 35 percent per year of the executive's pensionable salary in excess of 20 base amounts (during 2008, one base amount was SEK 48,000). For the President and CEO, the annual pension contribution is 35 percent of the pensionable salary above 20 base amounts. During 2008, this contribution was SEK 7,510,125 and the fee in the ITP plan SEK 1,305,025. Included in the pension premiums are also changes of commitments made to the President and CEO and the other members of Group Management for benefit based temporary disability and survivor's pensions until retirement age.
  The pensionable salary consists of the annual fixed salary including vacation and the target value of the annual variable remuneration.
- Ericsson's commitments for benefit based pensions per December 31, 2008, under IAS 19 amounted to SEK 1,984,193 for the President and CEO which refers to the ITP plan. For other members of Group Management the Company's commitments amounted to SEK 44,093,845, of which SEK 34,575,648 refers to the ITP plan and the remaining SEK 9,518,197 to temporary disability and survivor's pensions until retirement age.
- Social security fees include payroll tax on pension premiums.
- For previous Presidents, the Company has made provisions for defined benefit pension plans in connection with their active service periods within the Company.

OUTSTANDING STOCK OPTIONS AND MATCHING RIGHTS

As per December 31, 2008 Number of Class B shares	The President	Other Members of Group Management
Stock Option Plan 2002	–	88,000
Stock Purchase Plans 2005, 2006, 2007 and 2008 Executive Performance Stock Plans 2006, 2007 and 2008	320,321	574,552

Comments to the tables

- For the definition of matching rights, see description under "Long-term variable remuneration".
- The number of options presumes full exercise under the applicable plan.
- For strike price for the option plan, see "Long-term variable remuneration".
- The number of matching rights presumes maximum performance matching under Executive Performance Stock Plans 2006, 2007 and 2008.

Long-term variable remuneration

Stock Purchase Plan

The first Stock Purchase Plan was introduced in 2002. The plans are designed to offer an incentive for all employees to participate in the Company where practicable, which is consistent with industry practice and with our ways of working. Employees can save up to 7.5 percent (CEO 9 percent) of gross fixed salary for purchase of Class B contribution shares at market price on the NASDAQ OMX Stockholm or ADSs at NASDAQ (contribution shares) during a twelve-month period (contribution period). If the contribution shares are retained by the employee for three years after the investment and the employment with the Ericsson Group continues during that time, the employee's shares will be matched with a corresponding number of class B shares or ADSs free of consideration. Employees in 94 countries participate in the plans.

The below table shows the contribution periods and participation details for ongoing plans.

Plan	Contribution period	Number of participants at launch	Take-up rate – % of all employees
Stock Purchase plan 2005	August 2005 – July 2006	16,000	29%
Stock Purchase plan 2006	August 2006 – July 2007	17,000	29%
Stock Purchase plan 2007	August 2007 – July 2008	19,000	26%
Stock Purchase plan 2008	August 2008 – July 2009	19,000	25%

Participants save each month, beginning with August payroll, towards quarterly investments. These investments (in November, February, May and August) are matched on the third anniversary of each such investment, subject to continued employment, and hence the matching spans over two financial years and two tax years.

The Key Contributor Retention Plan

The Key Contributor Retention Plan was introduced in 2004. The plan is part of Ericsson talent management strategy and is designed to give recognition for performance, critical skills and potential as well as encourage retention of key employees. Under the program, up to 10 percent of employees (2008: 6,717 employees) are selected through a nominations process that identifies individuals according to performance, critical skills and potential. Participants selected obtain one extra matching share in addition to the ordinary one matching share for each contribution share purchased under the Stock Purchase Plan during a twelve-month program period.

The Executive Performance Stock Plan

The Executive Performance Stock Plan was introduced in 2004. The plan is designed to focus the management on driving earnings and provide competitive remuneration. Senior executives, including Group Management, are selected to obtain up to four or six extra shares (performance matching shares) in addition to the ordinary one matching share for each contribution share purchased under the Stock Purchase Plan. Up to 0.5 percent of employees (2008: 223 executives) are offered to participate in the plan. As from the 2006 program, the CEO has been allowed to invest up to 9 percent of fixed salary in contribution shares and may obtain up to eight performance matching shares in addition to the Stock Purchase Plan matching share for each contribution share.The performance matching is subject to the fulfillment of a performance target of average annual Earnings per Share (EPS) growth.

EXECUTIVE PERFORMANCE STOCK PLANS

Plan	Base year EPS [1]	Target average annual EPS growth range [2]	Matching share vesting range [3]	Maximum opportunity as percentage of fixed salary [4]	Percentage vesting
Performance Stock Plan 2004 [5]	3.45	5% to 25%	0 to 4 0 to 6	30% 45%	100% 100%
Performance Stock Plan 2005 [6]	6.68	3% to 15%	0 to 4 0 to 6	30% 45%	0% 0%
Performance Stock Plan 2006	7.58	3% to 15%	0 to 4 0 to 6 0 to 8	30% 45% 72%	
Performance Stock Plan 2007	8.83	5% to 15%	0.67 to 4 1 to 6 1.33 to 8	30% 45% 72%	
Performance Stock Plan 2008	4.43	5% to 15%	0.67 to 4 1 to 6 1.33 to 8	30% 45% 72%	

1) Sum of four quarters up to June 30 of plan year.
2) EPS range found from three-year average EPS of the twelve quarters to the end of the performance period and corresponding growth targets.
3) Corresponding to EPS range (no Performance Share Plan matching below this range). Matching shares per contribution share invested in addition to Stock Purchase Plan matching according to program of up to 4, 6 or 8 matching shares.
4) At full investment, full vesting and constant share price. Excludes Stock Purchase Plan matching.
5) Fully vested in 2007, being matched in full over the quarterly three-year investment anniversaries in November 2007, February 2008, May 2008 and August 2008.
6) No vesting and therefore no Performance Share Plan matching for 2005 plan.

STOCK OPTION PLANS

Ongoing plans 2008	Grant/expiry date	Exercise price [1] (SEK)	Vesting period from grant date	Number of participants at grant	Number of participants end of 2008
Stock Option Plan 2001 – May Grant	14 May 01/14 May 08	152.50	1/3 after 1 year, 1/3 after 2 years, 1/3 after 3 years	15,000	–
Stock Option Plan 2001 – November Grant	19 Nov 01/19 Nov 08	128.50	1/3 after 1 year, 1/3 after 2 years, 1/3 after 3 years	900	–
Stock Option Plan 2002 [2]	11 Nov 02/11 Nov 09	39.00	1/3 after 1 year, 1/3 after 2 years, 1/3 after 3 years	12,800	1,324

1) Market price at grant date – re-pricing is only permitted under limited circumstances, principally relating to changes in the capital structure of Ericsson.
2) For stock options exercised during 2008, the weighted average share price was SEK 67.23.

Shares for all plans

All plans are funded with treasury stock. Treasury stock for all plans has been issued in a directed cash issue of Class C shares at the quotient value and purchased under a public offering at the subscription price plus a premium corresponding to the subscribers' financing costs, and then converted to Class B shares.

For all plans, additional shares have been allocated for financing of social security expenses. Treasury stock is sold on the NASDAQ OMX Stockholm to cover the social security payments when arising due to exercise of options or matching of shares. During 2008, 676,630 shares were sold at an average price of SEK 70.03. Sale of shares is recognized directly in equity.

If all options outstanding as of December 31, 2008, were exercised, all shares allocated for future matching under the Stock Purchase Plan were transferred, and shares designated to cover social security payments were disposed of as a result of the exercise and the matching, approximately 44 million Class B shares would be transferred, corresponding to 1.4 percent of the total number of shares outstanding, 3,185 million. As per December 31, 2008, 61 million Class B shares were held as treasury stock.

The below table shows the number of shares (representing options and matching rights but excluding shares for social security costs) allocated for each ongoing plan and changes during 2008. It also shows compensation cost charged for each plan. The total compensation cost charged for the Long Term Variable compensation plans during 2008 amount to SEK 572 million.

For a description of compensation cost, including accounting treatment, see Note C1, "Significant Accounting Policies, Share-based employee compensation".

SHARES FOR ALL PLANS

Plan (million shares)	Originally designated [1]	Out-standing beginning of 2008	Granted during 2008	Exer-cised/ matched during 2008	Forfeited during 2008	Expired during 2008	Out-standing end of 2008 [2]	Number of options exercis-able	Compen-sation costs charged during 2008
2001 Stock Option Plan – May Grant	9.0	4.5	–	–	–	4.5	–	–	–
2001 Stock Option Plan – November Grant	0.5	0.2	–	–	–	0,2	–	–	–
2002 Stock Option Plan	10.8	4.1	–	0.3	–	–	3.8	3.8	–
2003 Stock Purchase Plan (2–year plan) and 2004 Key Contributor and Executive Performance Stock Plans	30.3	2.9	–	2.8	0.1	–	–	–	50 [4]
2005 Stock Purchase Plan, Key Contributor and Executive Performance Stock Plans	6.3	4.4	–	1.0	0.2	–	3.2 [3]	–	129 [4]
2006 Stock Purchase Plan, Key Contributor and Executive Performance Stock Plans	6.4	4.9	–	0.2	0.1	–	4.6 [3]	–	190 [4]
2007 Stock Purchase Plan, Key Contributor and Executive Performance Stock Plans	9.7	2.0	7.7	0.2	0.1	–	9.4 [3]	–	196 [4]
2008 Stock Purchase Plan, Key Contributor and Executive Performance Stock Plans	16.5	–	3.7	–	–	–	3.7 [3]	–	7 [4]

[1] Adjusted for rights offering and reverse split when applicable.
[2] All outstanding options in the 2001 Stock Option Plans expired during 2008.
[3] Presuming maximum performance matching under the Executive Performance Stock Plans.
[4] Fair value is calculated as the share price on the investment date reduced by the net present value of the dividend expectations during the three-year vesting period. Net present value calculations are based on data from external party. For shares under the Executive Performance Stock Plans, the Company assesses the probability of meeting the performance targets when calculating the compensation cost. Fair value of the Class B share at each investment date during 2008 was: February 15 SEK 62.50, May 15 SEK 73.45, August 15 SEK 62.01, and November 17 SEK 45.82.

C30 Related Party Transactions

During 2008, various related party transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis.

Sony Ericsson Mobile Communications AB (SEMC)

In October 2001, SEMC was organized as a joint venture between Sony Corporation and Ericsson, and a substantial portion of Ericsson's handset operations was sold to SEMC. As part of the formation of the joint venture, contracts were entered into between Ericsson and SEMC.

Major transactions are as follows:

- **License revenues.** Ericsson receives license revenues regarding mobile phone platform design from SEMC. Both owners of SEMC, Sony Corporation and Ericsson, receive license revenues for SEMC's usage of trademarks and intellectual property rights.
- **Purchases.** Ericsson purchases mobile phones from SEMC to support contracts with a number of customers for mobile systems which also include limited quantities of phones.
- **Dividends.** Both owners of SEMC, Sony Corporation and Ericsson, receive dividends.

	2008	2007
Related party transactions		
License revenues	**5,856**	5,743
Purchases	**261**	333
Ericsson's share of dividends	**3,627**	3,949
Related party balances		
Receivables	**1,002**	932
Liabilities	**176**	204

Ericsson does not have any contingent liabilities, assets pledged as collateral or guarantees toward Sony Ericsson Mobile Communications AB.

Ericsson Nikola Tesla d.d.

Ericsson Nikola Tesla d.d. is a joint stock company for design, sales and service of telecommunication systems and equipment, and an associated member of the Ericsson Group. Ericsson holds 49.07 percent of the shares.

Major transactions are as follows:

- **Sales.** Ericsson Nikola Tesla d.d. purchases telecommunication equipment from Ericsson.
- **License revenues.** Ericsson receives license revenues for Ericsson Nikola Tesla d.d.'s usage of trademarks.
- **Purchases.** Ericsson purchases development resources from Ericsson Nikola Tesla d.d.
- **Dividends.** Ericsson receives dividends from Ericsson Nikola Tesla d.d.

	2008	2007
Related party transactions		
Sales	**1,020**	1,010
License revenues	**9**	9
Purchases	**547**	506
Dividends	**227**	267
Related party balances		
Receivables	**85**	103
Liabilities	**58**	55

Ericsson does not have any contingent liabilities, assets pledged as collateral or guarantees toward Ericsson Nikola Tesla d.d.

Other related parties

Ericsson continued the cooperation with Ericsson's owners Investor AB and AB Industrivärden in the venture capital vehicle Ericsson Venture Partners.

For information regarding the remuneration of the Group Management, see Note C29, "Information regarding employees, members of the Board of Directors and Management".

C31 Fees to Auditors

	Price-waterhouse-Coopers	Others	Total
2008			
Audit fees	97	4	101
Audit related fees	7	–	7
Tax services fees	14	2	16
Other fees	1	5	6
Total	**119**	**11**	**130**
2007			
Audit fees	102	7	109
Audit related fees	4	–	4
Tax services fees	13	12	25
Other fees	–	6	6
Total	119	25	144
2006			
Audit fees	98	11	109
Audit related fees	14	–	14
Tax services fees	19	3	22
Other fees	1	3	4
Total	132	17	149

During the period 2006–2008, in addition to audit services, PricewaterhouseCoopers provided certain audit related services and tax services to the Company. The audit related services include consultation on financial accounting, services related to acquisitions and assessments of internal control. The tax services include general expatriate services and corporate tax compliance work.

Audit fees to other auditors largely consist of local statutory audits for minor companies.

C32 Events after the Balance Sheet Date

Ericsson and STMicroelectronics completed the JV deal

On February 3, 2009, Ericsson and STMicroelectronics announced the closing of their agreement merging Ericsson mobile platforms and ST-NXP Wireless unit into a 50/50 joint venture, to be called ST Ericsson. The deal was completed on the terms originally announced on August 20, 2008.

ST Ericsson will acquire relevant assets from the owner companies. After these acquisitions, the joint venture will have a cash position of about USD 0.4 billion. Ericsson contributed USD 1.1 billion net to the joint venture, out of which USD 0.7 billion was paid to ST. ST Ericsson is expected to become operational during the first quarter of 2009.