

Notes to the Parent Company Financial Statements

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P1 Significant Accounting Policies

The financial statements of the Parent Company, Telefonaktiebolaget LM Ericsson, have been prepared in accordance with RFR 2.1 "Reporting in separate financial statements". RFR 2.1 requires the Parent Company to use the same accounting principles as for the Group, i.e. IFRS to the extent allowed by RFR 2.1.

The main deviations between accounting policies adopted for the Group and accounting policies for the Parent Company are:

Subsidiaries, associated companies and joint ventures

The investments are accounted for according to the acquisition cost method. Investments are carried at cost and only dividends are accounted for in the income statement. An impairment test is performed annually and write-downs are made when permanent decline in value is established.

Contributions to/from subsidiaries and shareholders' contributions are accounted for according to UFR 2 issued by the Swedish Financial Reporting Board. Contributions to/from Swedish subsidiaries are reported directly in equity, net of taxes, as these transactions are aimed at reducing Swedish taxes. Shareholders' contributions increase the Parent Company's investments.

Classification and measurement of financial instruments

IAS 39 Financial Instruments: Recognition and Measurement is adopted, except regarding financial guarantees where the exception allowed in RFR 2.1 is chosen. Financial guarantees are included in Assets pledged as collateral.

Leasing

The Parent Company has one rental agreement which is accounted for as a finance lease in the consolidated statements and as an operating lease in the Parent Company financial statements.

Deferred taxes

The accounting of untaxed reserves in the balance sheet results in different accounting of deferred taxes as compared to the principles applied in the consolidated statements. Swedish GAAP and tax regulations require a company to report certain differences between the tax basis and book value as an untaxed reserve in the balance sheet of the stand-alone financial statements. Changes to these reserves are reported as an addition to, or withdrawal from, untaxed reserves in the income statement.

Pensions

Pensions are accounted for in accordance with the recommendation FAR 4 "Accounting for pension liability and pension cost" from the Swedish Institute of Authorized Public Accountants. According to RFR 2.1, IAS 19 shall be adopted regarding supplementary disclosures when applicable.

Segment information

Segment information is reported according to requirements in the Swedish Annual Accounts Act regarding business segments and geographical areas.

Statement of cash flows

Cash and short-term investments include financial instruments with maturity up to 12 months from the balance sheet date.

Critical accounting estimates and judgments

See Notes to the Consolidated Financial Statements – Note C2, "Critical Accounting Estimates and Judgments". Major critical accounting estimates and judgments applicable to the Parent Company include "Trade and customer finance receivables" and "Acquired intellectual property rights and other intangible assets, excluding goodwill".

P2 Segment Information

NET SALES	2008	2007	2006
Western Europe ^{1) 2)}	1,603	1,478	1,093
Central and Eastern Europe, Middle East & Africa	–	33	543
Asia Pacific	1,254	1,383	915
North America	2,192	304	31
Latin America	37	38	19
Total	5,086	3,236	2,601
¹⁾ Of which Sweden	1,506	1,336	964
²⁾ Of which EU	1,603	1,478	1,093

Parent Company net sales in Sweden are mainly related to business segment Multimedia, and the remaining part of net sales are mainly related to business segment Networks.

P3 Other Operating Income and Expenses

	2008	2007	2006
License revenues and other operating revenues			
Subsidiary companies	2,407	2,058	2,018
Other	659	667	323
Net losses (–) on sales of tangible assets	–1	–2	–2
Total	3,065	2,723	2,339

P4 Financial Income and Expenses

	2008	2007	2006
Financial Income			
Result from participations in subsidiary companies			
Dividends	14,465	4,308	4,830
Net gains on sales	676	2,345	3,673
Result from participations in JV and associated companies			
Dividends	3,854	4,216	1,258
Net gains on sales	-	20	-
Result from other securities and receivables accounted for as fixed assets			
Net gains on sales	807	-	-
Other interest income and similar profit/loss items			
Subsidiary companies	1,233	1,641	1,611
Other	3,096	1,217	1,439
Total	24,131	13,747	12,811
Financial Expenses			
Losses on sales of participations in subsidiary companies	-	-213	-222
Write-down of investments in subsidiary companies	7,027	-1,061	-556
Losses on sale of participations in other companies	-	-	-
Write-down of participations in other companies	-	-	-3
Interest expenses and similar profit/loss items			
Subsidiary companies	1,068	-995	-1,067
Other	1,655	-918	-652
Other financial expenses	41	-75	-49
Total	9,791	-3,262	-2,549
Financial net	14,340	10,485	10,262
Interest expenses on pension liabilities are included in the interest expenses shown above.			

P5 Taxes

Income taxes recognized in the income statement

The following items are included in Taxes:

	2008	2007	2006
Current income tax on contributions, net	-1,155	-1,194	-548
Other current income taxes for the year	-250	-259	-291
Current income taxes related to prior years	-21	-49	124
Deferred tax income/expense (-)	-307	187	-474
Taxes	-1,733	-1,315	-1,189

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%
Current income taxes related to prior years	-0.1%	-0.3%	0.9%
Tax effect of non-deductible expenses	-0.3%	-0.8%	-0.9%
Tax effect of non-taxable income	29.7%	22.0%	20.4%
Tax effect related to write-downs of investments in subsidiary companies	-10.3%	-2.0%	-1.2%
Tax effect of change in deferred tax rate	-0.1%	-	-
Actual tax rate	-9.1%	-9.1%	-8.8%

On December 10, 2008 the Swedish Parliament decided to cut the company tax rate from 28 percent to 26.3 percent, applicable from January 1, 2009. Deferred tax assets and liabilities have been calculated with the new tax rate.

Deferred tax balances

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

	2008	2007
Deferred tax assets	68	589

Deferred tax assets refer mainly to pensions and customer finance. Taxes reported directly to equity amount to SEK -203 million and refer to hedge accounting. Deferred tax assets have been reduced with this amount.

P6 Intangible Assets

PATENTS, LICENSES, TRADEMARKS AND SIMILAR RIGHTS		
	2008	2007
Accumulated acquisition costs		
Opening balance	3,893	3,314
Acquisitions	-	579
Sales/disposals	-5	-
Closing balance	3,888	3,893
Accumulated amortization		
Opening balance	-904	-514
Amortization	-385	-390
Sales/disposals	5	-
Closing balance	-1,284	-904
Net carrying value	2,604	2,989

The balances relate mainly to Marconi and Redback trademarks acquired during 2006 and 2007. The useful life and amortization period for these trademarks has been set to 10 years.

P7 Tangible Assets

	Land and buildings	Other equipment and installations	Construction in process and advance payments	Total
2008				
Accumulated acquisition costs				
Opening balance	13	711	173	897
Additions	–	77	311	388
Sales/disposals	–	–19	–	–19
Reclassifications	–	344	–344	–
Closing balance	13	1,113	140	1,266
Accumulated depreciation				
Opening balance	–	–454	–	–454
Depreciation	–	–127	–	–127
Sales/disposals	–	10	–	10
Reclassifications	–	–	–	–
Closing balance	–	–571	–	–571
Net carrying value	13	542	140	695
2007				
Accumulated acquisition costs				
Opening balance	23	576	47	646
Additions	–	45	217	262
Sales/disposals	–10	–1	–	–11
Reclassifications	–	91	–91	–
Closing balance	13	711	173	897
Accumulated depreciation				
Opening balance	–2	–344	–	–346
Depreciation	–	–111	–	–111
Sales/disposals	2	1	–	3
Closing balance	–	–454	–	–454
Net carrying value	13	257	173	443

P8 Financial Assets

INVESTMENTS IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATED COMPANIES								
	Subsidiary companies		Joint ventures		Associated companies			
	2008	2007	2008	2007	2008	2007	2008	2007
Opening balance	81,406	51,124	4,136	4,136	330	333		
Acquisitions and stock issues	176	35,463	-	-	-	-		
Shareholders' contribution	141	-3,439	-	-	-	-		
Write-downs	-7,027	-1,061	-	-	-	-		
Disposals	-125	-681	-	-	-	-3		
Closing balance	74,571	81,406	4,136	4,136	330	330		

OTHER FINANCIAL ASSETS								
	Other investments in shares and participations		Receivables from subsidiaries, non-current		Customer finance, non-current ¹⁾		Other financial assets, non-current	
	2008	2007	2008	2007	2008	2007	2008	2007
Accumulated acquisition costs								
Opening balance	484	28	18,433	17,211	800	1,765	358	401
Effect of changed accounting principle, IAS 39	-	3	-	-	-	-	-	-
Additions	1	453	271	1,203	620	646	2,716	-
Disposals/repayments/deductions	-466	-	-3,243	-	-502	-1,593	-44	-43
Reclasifications	-	-	-	-233	-	-	-	-
Translation difference	-	-	320	252	56	-18	-	-
Closing balance	19	484	15,781	18,433	974	800	3,030	358
Accumulated write-downs/allowances								
Opening balance	-9	-9	-	-	-49	-203	-	-
Write-downs/allowances	-	-	-	-	-34	-8	-	-
Disposals/repayments/deductions	1	-	-	-	24	160	-	-
Translation difference	-	-	-	-	-5	2	-	-
Closing balance	-8	-9	-	-	-64	-49	-	-
Net carrying value	11	475	15,781	18,433	910	751	3,030	358

¹⁾ From time to time, customer finance amounts may include equity instruments or equity-related instruments in our customers due to reconstruction activities of troubled receivables. We sometimes receive such instruments as security for our receivable and our policy is to sell them as soon as feasible.

P9 Investments

The following listing shows certain shareholdings owned directly and indirectly by the Parent Company as of December 31, 2008. A complete listing of shareholdings, prepared in accordance with the Swedish Annual Accounts Act and filed with the Swedish Companies

Registration Office (Bolagsverket), may be obtained upon request to: Telefonaktiebolaget LM Ericsson, External Reporting, SE-164 83 Stockholm, Sweden.

SHARES OWNED DIRECTLY BY THE PARENT COMPANY						
Type	Company	Reg. No.	Domicile	Percentage of ownership	Par value in local currency, million	Carrying value, SEK million
Subsidiary companies						
I	Ericsson AB	556056-6258	Sweden	100	50	20,645
I	Ericsson Shared Services AB	556251-3266	Sweden	100	361	2,216
I	Ericsson Sverige AB	556329-5657	Sweden	100	100	102
I	Netwise AB	556404-4286	Sweden	100	2	306
II	AB Aulis	556030-9899	Sweden	100	14	6
III	Ericsson Credit AB	556326-0552	Sweden	100	5	5
	Other (Sweden)			–	–	1,299
I	Ericsson Austria GmbH		Austria	100	4	665
I	Ericsson Danmark A/S		Denmark	100	90	216
I	Oy LM Ericsson Ab		Finland	100	13	196
II	Ericsson Participations France SAS		France	100	26	524
I	Ericsson GmbH		Germany	100	20	3,884
I	Ericsson JVD GmbH		Germany	100	–	104
I	Ericsson Hungary Ltd.		Hungary	100	1,301	120
II	LM Ericsson Holdings Ltd.		Ireland	100	2	15
I	Ericsson Telecomunicazioni S.p.A.		Italy	53 ¹⁾	23	3,151
II	Ericsson Holding International B.V.		The Netherlands	100	222	3,200
I	Ericsson A/S		Norway	100	156	237
II	TANDBERG Television ASA		Norway	100	161	1,788
I	Ericsson Corporatia AO		Russia	100	5	5
I	Ericsson AG		Switzerland	100	–	–
II	Ericsson Holding Ltd.		United Kingdom	100	328	4,094
	Other (Europe, excluding Sweden)			–	–	208
II	Ericsson Holding II Inc.		United States	100	2,817	28,956
I	Cia Ericsson S.A.C.I.		Argentina	12 ²⁾	13	10
I	Ericsson Telecom S.A. de C.V.		Mexico	100	n/a	1,550
	Other (United States, Latin America)			–	–	59
II	Teleric Pty Ltd.		Australia	100	20	100
I	Ericsson Ltd.		China	100	2	2
I	Ericsson (China) Company Ltd.		China	100	65	475
I	Ericsson India Private Ltd.		India	100	725	147
I	Ericsson (Malaysia) Sdn. Bhd.		Malaysia	70	2	4
I	Ericsson Telecommunications Pte. Ltd.		Singapore	100	2	1
I	Ericsson Taiwan Ltd.		Taiwan	80	240	20
I	Ericsson (Thailand) Ltd.		Thailand	49 ³⁾	90	17
	Other countries (the rest of the world)			–	–	244
Total					–	74,571
Joint ventures and associated companies						
I	Sony Ericsson Mobile Communications AB	556615-6658	Sweden	50	50	4,136
I	Ericsson Nikola Tesla d.d.		Croatia	49	65	330
Total					–	4,466

SHARES OWNED BY SUBSIDIARY COMPANIES				
Type	Company	Reg. No.	Domicile	Percentage of ownership
Subsidiary companies				
I	Ericsson Network Technologies AB	556000-0365	Sweden	100
II	Ericsson Cables Holding AB	556044-9489	Sweden	100
I	Ericsson France SAS		France	100
I	LHS Telekommunikation GmbH & Co. KG		Germany	87.5
I	LM Ericsson Ltd.		Ireland	100
II	Ericsson Nederland B.V.		The Netherlands	100
I	Ericsson Telecommunicatie B.V.		The Netherlands	100
I	Ericsson España S.A.		Spain	100
I	Soluciones De Video Y Comunicaciones Hache S.L.		Spain	100
I	Ericsson Telekomunikasyon A.S.		Turkey	100
I	Ericsson Ltd.		United Kingdom	100
I	Ericsson Canada Inc.		Canada	100
I	Ericsson Inc.		United States	100
I	Ericsson IP Infrastructure Inc.		United States	100
I	Ericsson Amplified Technologies Inc.		United States	100
II	Druett Corporation Inc.		United States	100
I	Entrisphere Inc.		United States	100
I	Redback Networks Inc.		United States	100
I	Ericsson Servicos de Telecomunicações Ltda.		Brazil	100
I	Ericsson Telecomunicações S.A.		Brazil	100
I	Ericsson Australia Pty. Ltd.		Australia	100
I	Ericsson (China) Communications Co. Ltd.		China	100
I	Nanjing Ericsson Panda Communication Co. Ltd.		China	51
I	Nippon Ericsson K.K.		Japan	100
I	Ericsson Communication Solutions Pte Ltd.		Singapore	100

Key to type of company

I Manufacturing, distribution and development companies
 II Holding companies
 III Finance companies

¹⁾ Through subsidiary holdings, total holdings amount to 100% of Ericsson Telecomunicazioni S.p.A.
²⁾ Through subsidiary holdings, total holdings amount to 100% of Cia Ericsson S.A.C.I.
³⁾ Through subsidiary holdings, total holdings amount to 100% of Ericsson (Thailand) Ltd.

P10 Inventories

	2008	2007
Finished products and goods for resale	80	84
Inventories	80	84

P11 Trade Receivables and Customer Finance

Credit risk management is governed on a Group level.

For further information, see Notes to the Consolidated Financial Statements – Note C14, “Trade Receivables and Customer Finance” and Note C20, “Financial Risk Management and Financial Instruments”.

	2008	2007
Trade receivables excluding associated companies and joint ventures	576	54
Allowances for impairment	-2	-12
Trade receivables, net	574	42
Trade receivables related to associated companies and joint ventures	2	-
Trade receivables, total	576	42
Customer finance	1,838	1,078
Allowances for impairment	-93	-64
Customer finance, net	1,745	1,014

MOVEMENTS IN ALLOWANCES FOR IMPAIRMENT				
	Trade receivables		Customer finance	
	2008	2007	2008	2007
Opening balance	12	12	64	221
Additions	-	-	53	19
Utilization	-10	-	-3	-74
Reversal of excess amounts	-	-	-29	-100
Translation difference	-	-	9	-2
Closing balance	2	12	94	64

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		Of which past due and impaired in the following time intervals	
				less than 90 days	90 days or more	less than 90 days	90 days or more
Trade receivables excluding associated companies and joint ventures	576	535	-	35	4	2	-
Allowances for impairment of receivables	-2	-	-	-	-	-2	-
Trade receivables related to associated companies and joint ventures	2	2	-	-	-	-	-
Customer finance	1,838	1,577	230	5	-	2	24
Allowances for impairment of customer finance	-93	-	-67	-	-	-2	-24

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		Of which past due and impaired in the following time intervals	
				less than 90 days	90 days or more	less than 90 days	90 days or more
Trade receivables excluding associated companies and joint ventures	54	34	-	6	2	-	12
Allowances for impairment of receivables	-12	-	-	-	-	-	-12
Customer finance	1,078	796	263	1	-	1	17
Allowances for impairment of customer finance	-64	-	-46	-	-	-1	-17

OUTSTANDING CUSTOMER FINANCE		
	2008	2007
On-balance sheet customer finance	1,838	1,078
Off-balance sheet customer finance	168	185
Total customer finance	2,006	1,263
Accrued interest	24	6
Less third-party risk coverage	-148	-163
Parent Company's risk exposure	1,882	1,106
On-balance sheet credits, net carrying value	1,745	1,014
<i>Of which short term</i>	835	263
Credit commitments for customer finance	956	988

P12 Receivables and Liabilities – Subsidiary Companies

	Payment due by period				
	Total 2008	< 1 year	1–5 years	>5 years	Total 2007
Non-current receivables ¹⁾					
Financial receivables	15,781	–	3,781	12,000	18,433
Current receivables					
Trade receivables	1,008	1,008	–	–	908
Financial receivables	23,668	23,668	–	–	24,222
Total	24,676	24,676	–	–	25,130
Non-current liabilities ¹⁾					
Financial liabilities	27,866	–	–	27,866	30,921
Current liabilities					
Trade payables	541	541	–	–	678
Financial liabilities	34,725	34,725	–	–	40,735
Total	35,266	35,266	–	–	41,413

¹⁾ Including non interest-bearing receivables and liabilities, net, amounting to SEK –15,866 million (SEK –20,959 million in 2007). Interest-free transactions involving current receivables and liabilities may also arise at times.

P13 Other Current Receivables

	2008	2007
Receivables from associated companies and joint ventures	669	874
Prepaid expenses	666	703
Accrued revenues	535	418
Derivatives with a positive value	2,498	850
Other	318	315
Total	4,686	3,160

P14 Stockholders' Equity

Capital stock 2008

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

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

¹⁾ Class A-shares (quota value SEK 5.00) and Class B-shares (quota value SEK 5.00).

CHANGES IN STOCKHOLDERS' EQUITY										
	Capital stock	Revalua- tion reserve	Statutory reserve	Total restricted equity	Disposi- tion reserve	Fair value reserves	Other retained earnings	Non- restricted equity	Total	
2008										
January 1, 2008	16,132	20	31,472	47,624	100	4	35,121	35,225	82,849	
Revaluation of other investments in shares										
Transferred to income statement at sale	–	–	–	–	–	–6	–	–6	–6	
Cash flow hedges										
Fair value remeasurement of derivatives reported in equity	–	–	–	–	–	773	–	773	773	
Tax on items reported directly in equity	–	–	–	–	–	–202	–	–202	–202	
Stock issue	100	–	–	100	–	–	–	–	100	
Sale of own shares	–	–	–	–	–	–	88	88	88	
Stock purchase and Stock option plans	–	–	–	–	–	–	36	36	36	
Repurchase of own shares	–	–	–	–	–	–	–100	–100	–100	
Contributions from/to (–) subsidiary companies	–	–	–	–	–	–	–4,288	–4,288	–4,288	
Tax on contributions	–	–	–	–	–	–	1,155	1,155	1,155	
Dividends paid	–	–	–	–	–	–	–7,954	–7,954	–7,954	
Net income 2008	–	–	–	–	–	–	17,227	17,227	17,227	
December 31, 2008	16,232	20	31,472	47,724	100	569	41,285	41,954	89,678	

CHANGES IN STOCKHOLDERS' EQUITY										
	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Fair value reserves	Other retained earnings	Non-restricted equity	Total	
2007										
January 1, 2007	16,132	20	31,472	47,624	100	2	32,885	32,987	80,611	
Revaluation of other investments in shares										
Fair value remeasurement reported in equity	–	–	–	–	–	3	–	3	3	
Tax on items reported directly in equity	–	–	–	–	–	–1	–	–1	–1	
Sale of own shares	–	–	–	–	–	–	62	62	62	
Stock purchase and Stock option plans	–	–	–	–	–	–	41	41	41	
Contributions from/to (–) subsidiary companies	–	–	–	–	–	–	–4,263	–4,263	–4,263	
Tax on contribution	–	–	–	–	–	–	1,194	1,194	1,194	
Dividends paid	–	–	–	–	–	–	–7,943	–7,943	–7,943	
Net income 2007	–	–	–	–	–	–	13,145	13,145	13,145	
December 31, 2007	16,132	20	31,472	47,624	100	4	35,121	35,225	82,849	

P15 Untaxed Reserves

2008	Jan 1	Additions/ withdrawals (–)	Dec 31
Accumulated depreciation in excess of plan			
Intangible assets	1,068	192	1,260
Tangible assets	13	59	72
Total accumulated depreciation in excess of plan	1,081	251	1,332
Other untaxed reserves			
Reserve for doubtful receivables	258	227	485
Total other untaxed reserves	258	227	485
Total untaxed reserves	1,339	478	1,817

Change in depreciation in excess of plan of intangible assets relates mainly to Marconi and Redback trademarks.

Changes in other untaxed reserves related to withdrawal from reserve for doubtful receivables, SEK 183 million in 2007. Deferred tax liability on untaxed reserves, not accounted for in deferred taxes, amounts to SEK 478 million (SEK 375 million in 2007).

P16 Pensions

The Parent Company has two types of pension plans:

- Defined contribution plans: post-employment benefit plans where the Parent Company pays fixed contributions into separate entities and has no legal or constructive obligation to pay further contributions if the entities do not hold sufficient assets to pay all employee benefits relating to employee service. The expenses for defined contribution plans are recognized during the period when the employee provides service.
- Defined benefit plans: post-employment benefit plans where the Parent Company's undertaking is to provide predetermined benefits that the employee will receive on or after retirement. The FPG/PRI plan for the Parent Company is partly funded. FPG is a Swedish credit insurance company for pension obligations and PRI is a pension registration institute. Pension obligations are calculated annually, on the balance sheet date, based on actuarial assumptions.

	DEFINED BENEFIT OBLIGATION- AMOUNT RECOGNIZED IN THE BALANCE SHEET	
	2008	2007
Present value of wholly or partially funded pension plans ¹⁾	551	515
Fair value of plan assets	–530	–613
Unfunded/net surplus(–) of funded pension plans	21	–98
Present value of unfunded pension plans	382	397
Excess from plan assets reclassified	–	103
Closing balance provision for pensions	403	402

¹⁾ This FPG/PRI obligation is covered by the Swedish law on safeguarding of pension commitments.

The defined benefit obligations are calculated based on the actual salary levels at year-end and based on a discount rate of 4.0 percent. Weighted average life expectancy after the age of 65 is 24 years for women and 21 years for men.

In 2005, SEK 524 million was transferred into the Swedish pension trust, of which SEK 0 (103) million is accounted for as prepaid expense.

The Parent Company utilizes no assets held by the pension trust. Return on plan assets for 2008 is –13.8 (3.5) percent.

PLAN ASSETS ALLOCATION		
	2008	2007
Equities	167	190
Interest-bearing securities	363	423
	530	613
<i>Of which Ericsson securities</i>	–	–

CHANGE IN THE DEFINED BENEFIT OBLIGATION		
	2008	2007
Opening balance	402	419
Pension costs, excluding taxes, related to defined benefit obligations accounted for in the income statement	67	70
Pension payments	–48	–55
Return on plan assets for the year	85	–21
Return on plan assets not accounted for prior years	–	–11
Previous excess from plan assets reclassified	–103	–
Closing balance provision for pensions	403	402

Estimated pension payments for 2009 are SEK 45 million.

TOTAL PENSION COST AND INCOME RECOGNIZED IN THE INCOME STATEMENT		
	2008	2007
Defined benefit obligations		
Costs excluding interest and taxes	24	35
Interest cost	43	36
Credit insurance premium	–5	–24
Total cost defined benefit plans excluding taxes	62	47
Defined contribution plans		
Pension insurance premium	86	98
Total cost defined contribution plans excluding taxes	86	98
Return on plan assets	85	–32
Total pension cost, net excluding taxes	233	113

Of the total pension cost SEK 105 million (SEK 109 million in 2007) is included in operating expenses and SEK 128 million (SEK 4 million in 2007) in the financial net.

P17 Other Provisions

	Warranty commitments	Restructuring	Customer finance	Other	Total other provisions ¹⁾
2008					
Opening balance	1	114	177	363	655
Additions	–	47	21	181	249
Reversal of excess amounts	–	–9	–	–112	–121
Utilization/Cash out	–	–31	–36	–60	–127
Reclassification	–	–12	–	12	–
Closing balance	1	109	162	384	656
2007					
Opening balance	1	228	188	778	1,195
Additions	–	20	–	21	41
Reversal of excess amounts	–	–73	–11	–374	–458
Utilization/Cash out	–	–61	–	–62	–123
Closing balance	1	114	177	363	655

¹⁾ Of which SEK 150 million (SEK 208 million in 2007) are expected to be utilized within one year.

P18 Interest-Bearing Liabilities

The Parent Company's outstanding interest-bearing liabilities, excluding liabilities to subsidiaries, were SEK 26.7 billion as per December 31, 2008.

INTEREST-BEARING LIABILITIES		
	2008	2007
Borrowings, current		
Current maturities of long-term borrowings	3,732	2,906
Total current borrowings	3,732	2,906
Borrowings, non-current		
Notes and bond loans	18,941	19,372
Liabilities to credit institutions	4,000	–
Total non-current interest-bearing liabilities	22,941	19,372
Total interest-bearing liabilities	26,673	22,278

NOTES AND BOND LOANS						
Issued-maturing	Nominal amount	Coupon	Currency	Book value (SEK million)	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.

All outstanding notes and bond loans are issued under the 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.

P19 Financial Risk Management and Financial Instruments

Financial risk management

Ericsson's financial risk management is governed on a Group level. For further information see Notes to the Consolidated Financial Statements – Note C20, "Financial Risk Management and Financial Instruments".

OUTSTANDING DERIVATIVES				
Fair value	2008		2007	
	Asset	Liability	Asset	Liability
Currency derivatives				
Maturity within 3 months	2,562	2,742	559	993
Maturity between 3 and 12 months	4,887	4,054	408	915
Maturity 1 to 3 years	167	700	145	79
Maturity 3 to 5 years	–	–	–	–
Maturity more than 5 years	–	–	–	–
Total currency derivatives	7,616¹⁾	7,496²⁾	1,112	1,987
<i>of which designated in cash flow hedge relations</i>	–	10	–	–
<i>of which designated in net investment hedge relations</i>	8	179	11	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	1,260³⁾	199	636³⁾	116
<i>of which designated in fair value hedge relations</i>	1,152	–	478	–

¹⁾ Of which internal counterparts 3,564.

²⁾ Of which internal counterparts 427.

³⁾ Of which 2,814 million is reported as non-current assets for 2008 and 96 million for 2007.

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS						
Remaining time to maturity						
SEK billion	< 3	< 1	1–5	> 5	2008	2007
	months	year	years	years		
Bank deposits	14.5	–	–	–	14.5	6.7
Type of issuer/ counterpart						
Governments	6.5	15.3	0.6	1.5	23.9	12.8
Banks	4.9	1.3	–	–	6.2	20.5
Corporations	0.7	0.9	–	–	1.6	3.9
Mortgage institutes	–	7.0	5.5	0.5	13.0	1.7
Total	26.6	24.5	6.1	2.0	59.2	45.6

The instruments are classified as held for trading and are therefore short-term investments.

During 2008, cash and bank and short-term investments increased by SEK 13.6 billion to SEK 59.2 billion mainly due to positive operating cash flow and issuance of non-current debt.

REPAYMENT SCHEDULE OF LONG-TERM BORROWINGS			
Nominal amount SEK billion	Current maturities of long-term debt		Total
		Borrowings (non-current)	
2009	3.7	–	3.7
2010	–	5.1	5.1
2011	–	–	–
2012	–	3.5	3.5
2013	–	–	–
2014 and later	–	13.6	13.6
Total	3.7	22.2	25.9

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

FUNDING PROGRAMS			
	Amount	Utilized	Unused
Euro Medium-Term Note program (USD million)	5,000	2,730	2,270
Euro Commercial Paper program (USD million)	1,500	–	1,500
Swedish Commercial Paper program (SEK million)	5,000	–	5,000
Long-Term Committed Credit facility (USD million)	2,000	–	2,000
European Investment Bank (SEK million)	4,000	4,000	–

At year-end Ericsson's credit rating 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

and loss had a net gain of SEK 2.8 billion. For further information about valuation principles, see Notes to the Consolidated Financial Statements – Note C1, “Significant Accounting Policies”.

FINANCIAL INSTRUMENTS CARRYING AMOUNT										
SEK billion	Trade receivables P11	Short-term investments	Receivables and liabilities subsidiaries P12	Borrowings P18	Trade payables P21	Financial assets P8	Other current receivables P13	Other current liabilities P20	2008	2007
Assets at fair value through profit or loss		44.8	3.1			2.8	2.5	-7.3	45.9	38.5
Loans and receivables	2.3		36.9				0.7		39.9	44.6
Available for sale assets									-	0.5
Financial liabilities at amortized cost			-62.7	-26.7	-0.6				-90.0	-94.3
Total	2.3	44.8	-22.7	-26.7	-0.6	2.8	3.2	-7.3	-4.2	-10.7

FINANCIAL INSTRUMENTS CARRIED AT OTHER THAN FAIR VALUE				
SEK billion	Carrying amount		Fair value	
	2008	2007	2008	2007
Current maturities of long-term borrowings	3.7	2.9	3.9	3.1
Borrowings non-current	23.0	19.4	19.0	19.4
Total	26.7	22.3	22.9	22.5

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 a fair value.

P20 Other Current Liabilities

	2008	2007
Liabilities to associated companies and joint ventures	-	7
Accrued interest	411	445
Accrued expenses, of which		
employee related	266	237
other	45	818
Deferred revenues	1,252	1,007
Derivatives with a negative value	7,268	1,151
Other current liabilities	161	163
Total	9,403	3,828

P21 Trade Payables

	2008	2007
Trade payables excluding associated companies and joint ventures	605	626
Total	605	626

All trade payables fall due within 90 days.

P22 Assets Pledged as Collateral

	2008	2007
Bank deposits	414	359
Total	414	359

The major item in bank deposits is the internal bank's clearing and settlement commitments of SEK 266 million (SEK 229 million in 2007).

P23 Contingent Liabilities

	2008	2007
Total contingent liabilities	13,029	9,650

Contingent liabilities include pension commitments of SEK 10,783 million (SEK 8,199 million in 2007) and guarantees for subsidiary companies' borrowing from financial institutions of SEK 9 million (SEK 18 million in 2007).

In accordance with standard industry practice, Ericsson enters into commercial contract guarantees related to contracts for the supply of telecommunication equipment and services. Total amount for 2008 was SEK 20,997 million (SEK 16,312 million in 2007). Potential payments due under these bonds are related to Ericsson's performance under applicable contracts.

P24 Statement of Cash Flows

Interest paid in 2008 was SEK 2,376 million (SEK 1,977 million in 2007 and SEK 1,887 million in 2006) and interest received was SEK 3,520 million (SEK 3,066 million in 2007 and SEK 3,123 million in 2006). Income taxes paid were SEK 370 million (SEK 559 million in 2007 and SEK 364 million in 2006).

ADJUSTMENTS TO RECONCILE NET INCOME TO CASH			
	2008	2007	2006
Tangible assets			
Depreciation	127	111	92
Total	127	111	92
Intangible assets			
Amortization	385	389	310
Total	385	389	310
Total depreciation and amortization on tangible and intangible assets	512	500	402
Taxes	1,363	756	825
Write-downs and capital gains (-)/ losses on sale of fixed assets, excluding customer finance, net	5,545	-1,088	-2,889
Additions to/withdrawals from (-) untaxed reserves	478	265	88
Unsettled dividends	-5	-	-
Other non-cash items	-2,747	-1,324	1,289
Total adjustments to reconcile net income to cash	5,146	-891	-285

P25 Leasing

Leasing with the Parent Company as lessee

At December 31, 2008, future payment obligations for leases were distributed as follows:

	Operating leases
2009	1,133
2010	1,004
2011	753
2012	565
2013	385
2014 and later	1,210
	5,050

Leasing with the Parent Company as lessor

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

	Operating leases
2009	36
2010	4
2011	1
2012	1
2013	1
2014 and later	2
	45

The operating lease income is mainly income from sublease of real estate. See Notes to the Consolidated Financial Statements – Note C27, “Leasing”.

P26 Tax Assessment Values in Sweden

	2008	2007
Land and land improvements	8	8
Total	8	8

P27 Information Regarding Employees

AVERAGE NUMBER OF EMPLOYEES						
	2008			2007		
	Men	Women	Total	Men	Women	Total
Western Europe ^{1) 2)}	181	149	330	173	140	313
Central and Eastern Europe, Middle East and Africa	3	1	4	104	9	113
Total	184	150	334	277	149	426
¹⁾ Of which Sweden	181	149	330	173	140	313
²⁾ Of which EU	181	149	330	173	140	313

ABSENCE DUE TO ILLNESS		
	2008	2007
Percent of working hours		
Absence due to illness for men	0%	0%
Absence due to illness for women	2%	2%
Employees 30–49 years old	1%	1%
Employees 50 years or older	1%	1%
Long-term absence due to illness total ¹⁾	0.6%	0.5%

¹⁾ Defined as absence during a consecutive period of time of 60 days or more.

Remuneration

WAGES AND SALARIES AND SOCIAL SECURITY EXPENSES		
	2008	2007
Wages and salaries	353	431
Social security expenses	404	253
<i>Of which pension costs</i>	265	139

WAGES AND SALARIES PER GEOGRAPHICAL AREA		
	2008	2007
Western Europe ^{1) 2)}	351	315
Central and Eastern Europe, Middle East and Africa	2	113
Total	353	428
¹⁾ Of which Sweden	351	315
²⁾ Of which EU	351	315

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

Remuneration policy and remuneration to the Board of Directors and the President and CEO

See Notes to the Consolidated Financial Statements – Note C29, “Information Regarding Employees, Members of the Board of Directors and Management”.

Long-term incentive plans

The Stock Purchase Plan

Compensation costs for all employees of the Parent Company amounted to SEK 5.6 million in 2008 (SEK 14.5 million in 2007).

P28 Related Party Transactions

During 2008, various 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. 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 the Parent Company and SEMC.

For the Parent Company, the major transactions are license revenues for SEMC's usage of trademarks and patents and received dividends.

	2008	2007
Related party transactions		
License revenues	2,011	3,039
Dividends	3,627	3,949
Related party balances		
Receivables	626	871

Ericsson Nikola Tesla d.d.

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

For the Parent Company the major transactions are license revenues for Ericsson Nikola Tesla d.d.'s usage of trademarks and received dividends.

	2008	2007
Related party transactions		
License revenues	9	9
Dividends	227	267

Other related parties

For information regarding the remuneration of management, see Notes to the Consolidated Financial Statements – Note C29, “Information Regarding Employees, Members of the Board of Directors and Management”.

P29 Fees to Auditors

	Price-waterhouse-Coopers	Others	Total
2008			
Audit fees	33	–	33
Audit related fees	2	–	2
Tax services fees	1	–	1
Total	36	–	36
2007			
Audit fees	37	–	37
Audit related fees	3	–	3
Tax services fees	–	–	–
Total	40	–	40
2006			
Audit fees	41	2	43
Audit related fees	8	–	8
Tax services fees	1	–	1
Other fees	1	–	1
Total	51	2	53

During the period 2006–2008, in addition to audit services, PricewaterhouseCoopers provided certain audit related services and tax services to the Parent Company. The audit related services include consultation on financial accounting and services related to acquisitions. The tax services include general tax advice.

KPMG are no longer auditors of the Parent Company (effective from the Annual General Meeting (AGM) 2007). Fees to KPMG during 2006 are included in Others.

P30 Events after the Balance Sheet Date

Effective January 1, 2009, the Parent Company has entered into an agreement with Ericsson AB, a wholly owned subsidiary company, to transfer the right to all license revenues from third parties related to patent licenses. Consequently, the Parent Company will report insignificant Net sales from 2009.

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 cash position of about USD 0.4 billion. The Parent Company 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.