

# LETTER FROM THE CEO

## LOOKING BACK

Dear fellow shareholders,

While the current economic environment affects all parts of society the longer-term fundamentals for our industry remain solid. Over the past decade the number of mobile subscriptions in the world has grown from some 700 million to over 4.5 billion. Mobile telephony is reaching a penetration beyond all expectations. Ten years ago it was all 2G; today 3G is the prevailing technology, mobile broadband is a reality and telecom is literally changing the world.

Ericsson has played a vital role in bringing the benefits of mobile broadband to the majority of the world's population. What we do greatly improves people's lives and society at large – in short, what we do shapes people's lives and the world around us. One of my strongest memories is from the day we launched the network in Dertu, one of the Millennium Villages. Their chief, one of the camel drivers, came up to me and said, "Today our village is reborn". People are now able to share ideas and information and accomplish things that were not possible before.

In the past ten years the telecom industry and Ericsson have transformed; from focus on voice to focus on internet, from hardware to software and from providing network equipment to providing solutions including services.

During the same period, many of our competitors have been forced to leave the arena and new ones have entered. We work harder than ever to outperform them and match our customers' needs.

We have extended our leadership in mobile communications by building a highly successful services business which today accounts for almost 40 percent of our total Group sales. With less hardware, increased network complexity, and the move to all-IP, today is very much about making it work and supporting our customers in running and maintaining networks and realizing business models and rollout plans. During 2009 we captured additional strategic contracts in the services area and we now manage networks with 370 million subscribers.

The acquisition of Nortel's CDMA business during 2009, on the heels of important breakthrough contract wins in North America, positioned Ericsson as the leading provider of telecoms technology and services in the United States and Canada. We have also firmly established ourselves in Silicon Valley where much of the internet development takes place.

We also gained strategic contracts for the radio standard LTE (Long-Term Evolution) which offers even greater network speeds and in December 2009 we passed another significant milestone with the worlds' first commercial launch of an LTE network in Sweden.



The industry has changed and our ability to change with it, and indeed to lead the change, is perhaps our most important asset. New and compelling challenges lie ahead and as a company Ericsson must continue to drive the transformation of our industry.

My years as President and CEO of Ericsson have been the best of my professional career. Telecom is one of the most exciting industries to work in – so dynamic, challenging and competitive. I truly believe that telecom and the entire Information and Communication Technology (ICT) sector, particularly broadband networks, will form the backbone of the digital 21st century infrastructure, helping industries with the necessary reductions in their carbon footprint.

In closing, I will continue to follow and be involved in Ericsson's development in my role as a Board member. I am proud and grateful to have had the opportunity to be at the helm of this great company and I will remember all the extraordinary people I have had the honor to work with, customers, partners and colleagues alike.



Carl-Henric Svanberg  
Former President and CEO



"IN THIS SEA OF CONNECTIVITY WE TAKE THE ROLE OF NAVIGATOR."

## LOOKING FORWARD

Dear shareholders,

2009 was a year of mixed trends and with varied operator investment behavior. Some markets were impacted by the financial climate while others continued to show growth.

Our Group sales for the full year, however, were flat and the operating margin increased slightly. Despite the challenging economic environment we maintained market shares, cash flow was good and our financial position remained strong. During the year we undertook significant cost reduction activities. These, in combination with large losses in our joint ventures, affected our earnings negatively. However, cost reductions will result in reduced cost base going forward and our joint ventures remain on track to return to profit.

It is now 2010 and we have a new decade ahead of us. A decade of new opportunities and new challenges. Telecoms is no longer about voice only. We do not just connect places and people. We also connect machines and devices. We connect the developing world to the developed world, rural areas to urban areas. Telecoms is the nervous system of the world.

In Ericsson we have a vision for this new decade – that there will be 50 billion connected devices. We will connect people with for example heart problems to remote monitoring systems so

they can stay in the comfort of their homes, and we will connect our cars and trucks to smart road systems for safer driving and better fuel economy. Broadband networks will be the backbone of our smart cities, where houses will be connected so we can monitor and manage power consumption.

In this world the challenge will lie in dealing with the complexity of connecting all these devices. And we cannot fail. Patients must be able to rely on their health monitoring services. Transport companies must be sure that they can minimize gas consumption by smart routing and up-to-date traffic information.

In this sea of connectivity we take the role of navigator. We must support our customers and show them the way. This will require us to always put our customers first. Always have the best competence and drive innovation throughout the customer relationship.

Our business is about both technology and services. We have to be consultants; we have to be able to develop complex network management systems, we have to be able to integrate systems and solutions from many different suppliers and vendors. In addition, we should be able to deliver the best revenue management solutions and multimedia applications the consumers have ever seen. Everything must be based on IP software.

This new decade requires a lot from us. We will have to change our ways of working. Our success will be determined by our ability to see beyond technology, stay ahead of our customers and solve problems before they even arise.

In preparing ourselves to be successful in this new decade, we will need to continuously adjust to changing economic and competitive conditions while staying the course to our longer-term objectives. We will continue to proactively take actions to safeguard our financial position, leading technology and customer relationships. In order to drive shareholder value we focus on four financial targets; we want to grow the Company faster than the market, maintain best-in-class operating margins, have a healthy cash generation and grow earnings in the JVs.

We have exciting developments ahead. The future will require us to be agile, brave and focused on performance in all we do.

I am proud and honored to lead Ericsson into a new decade where we will undoubtedly break new ground. Even more people and devices will share information across the world.



Hans Vestberg  
President and CEO