



What were the benefits of the efficiency program?

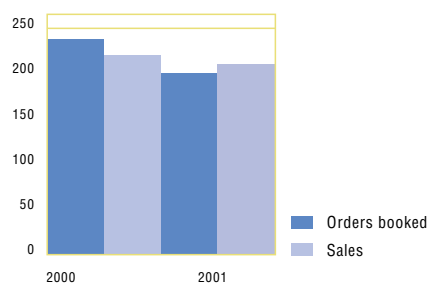
Have you reduced the volatility in your earnings?

How did you turn cash flow from negative to positive?

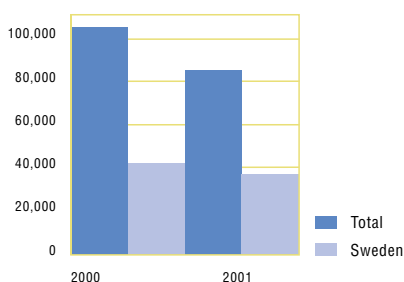
What are you doing to improve profitability?

Financial highlights 2001

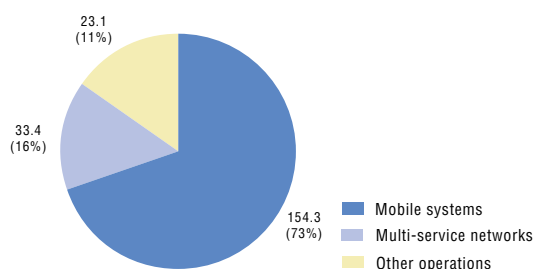
Sales and orders booked, SEK b.



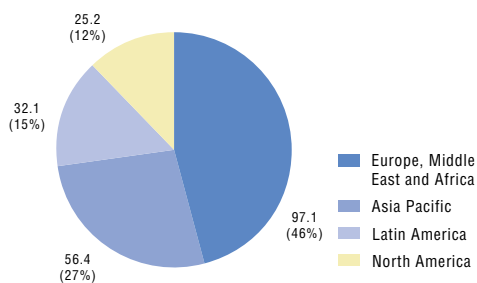
Number of employees



Sales by segment, SEK b. and percent



Sales by market area, SEK b. and percent



TOTAL CONSOLIDATED RESULTS – PRO FORMA**

(SEK billion)	2001	2000	Change
Orders booked	201.8	239.1	-16%
Net Sales	210.8	221.6	-5%
Adjusted operating margin	-9%	8%	
Adjusted income before tax	-21.1	14.3	
Net income	-21.3	21.0	
Earnings per share, fully diluted (SEK)	-2.69	2.65	
Dividend per share (SEK)	0	0.50	
Cash flow before financing activities	4.2	6.4	
Return on capital employed (ROCE)	-16%	27%	
Equity ratio	29%	38%	
Number of employees	85,200	105,100	-19%

SEGMENT RESULTS – PRO FORMA**

(SEK billion)	2001	2000	Change
Orders booked			
Systems	182.8	213.2	-14%
Other operations	28.5	39.5	-28%
Less inter-segment orders	-9.5	-13.6	
Total	201.8	239.1	-16%
Sales			
Systems	187.8	194.7	-4%
Other operations	33.4	40.2	-17%
Less inter-segment sales	-10.4	-13.3	
Total	210.8	221.6	-5%
Adjusted operating income*			
Systems	2.9	32.6	
Phones	-14.6	-16.2	
Other operations	-4.4	2.2	
Unallocated	-1.7	-1.9	
Total	-17.9	16.7	
* Adjusted for items affecting comparability			
- Capital gain Juniper Networks	5.5	15.4	
- Non-operational capital gains	0.3	5.9	
- Pension refund	-	1.1	
- Restructuring costs	-15.0	-8.0	

SALES BY MARKET AREA – PRO FORMA**

(SEK billion)	2001	2000	Change
Europe, Middle East and Africa	97.1	108.4	-10%
North America	25.2	25.3	0%
Latin America	32.1	38.0	-16%
Asia Pacific	56.4	49.9	13%
Total	210.8	221.6	-5%

** Pro forma format: Sony Ericsson Mobile Communications are accounted for under the equity method and included in "Earnings from Joint Ventures and Associated Companies." The results of the phone activities retained by Ericsson are included in "Other operations."

Focused on return to profitability

Year 2001 was a tough year in the telecom business. Like most of our competitors, Ericsson incurred considerable losses for the year. Our relative market position improved, however, and after decisive restructuring and cost control efforts, our objective for 2002 is to achieve an operating margin of over five percent.

Our industry has a strong growth potential and we look forward with optimism on Ericsson's role as the top-class vendor to top-class operators. Due to the uncertainty in the telecom market under current economic conditions, we believe a solid upturn may be a couple of years away.

Our long-term financial objectives are unchanged:

- **to grow faster than the market, which means a growth of more than 20 percent in a few years**
- **a return on capital employed of 20–25 percent**
- **a positive cash flow**
- **an operating margin of at least ten percent**

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Board of Directors' Report

In this Board of Directors' report, comments regarding the income statement items refer to a pro forma Income Statement version (see page 12), prepared to facilitate comparisons between years. In this pro forma version, restructuring charges are reported visibly, excluded from Cost of Sales and Operating expenses respectively, and the results of handset operations transferred to Sony Ericsson Mobile Communications are reported included in Share in Earnings of joint ventures and associated companies, as if the equity method had been applied for the full year 2000 and 2001. Total income is not affected by these changes.

This report contains "forward-looking statements". See "Uncertain Factors in the Future" on page 57.

Strategy and goals

Ericsson has a long-term perspective when assessing the market development. The current downturn in general economic conditions and its effects on near-term demand for telecommunications equipment and services has not changed this. We work in an industry with excellent growth potential and Ericsson has the market leading position in systems, which we intend to improve and grow faster than the market. The penetration of mobile subscribers across the world has yet only reached 16 percent. Compared to a penetration level of around 75 percent in Western Europe, there is still a large growth potential in many markets. Our aim is to stay ahead as the number one supplier for Mobile Internet solutions and continue as a top tier vendor for carrier-class multiservice networks based on IP.

We are determined to be a top-tier player also in the handset market – both regarding development, design, marketing and sales of mobile multi-media terminals, through our joint venture with Sony, and through licensing of platform technology developed in-house.

Our long-term goals are unchanged:

- to grow faster than the market, which means a growth of more than 20 percent in a few years
- a return on capital employed of 20–25 percent
- a positive cash flow
- an operating margin of at least 10 percent

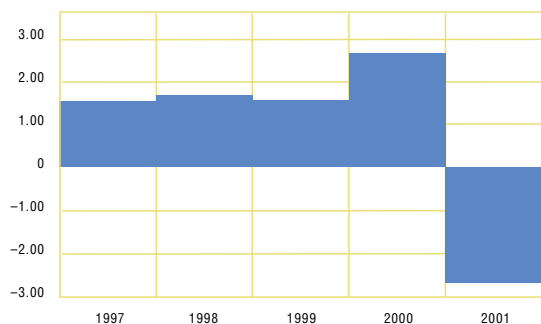
Market environment

In early 2001, we still expected a net growth for the year in our outlook for the full year 2001. Our optimism was based on strong orders in the end of year 2000, and continued strength both in orders and sales in early 2001. Soon after, general economic conditions and the telecom market changed dramatically for the worse, presenting us with a number of challenges:

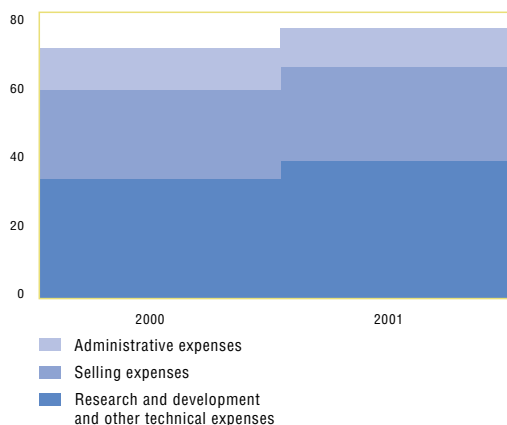
- An urgent need to protect our cash position and payment readiness
- A need to rightsize the company and streamline the operations according to a lower business volume
- Fast completion of the restructuring of our handset business to improve profitability, reduce income volatility and adapt to a new market structure.

Financial markets, global economy The financial markets for equities, bonds and loans grew very cautious in the beginning of the year, particularly regarding the Internet-, IT- and telecom sectors. Rating institutions began to downgrade companies, which added to the financing difficulties and costs. Later in the year, a general economic downturn in Latin America caused further tightening.

Earnings per share diluted (SEK)



Operating expenses (SEK b.)



Telecom market and competition The financing difficulties led to drastic cuts in capital expenditures by many operators, as compared with the high investment level of the previous year. The decline was most accentuated in Western Europe, where operators had the largest debt burdens and the additions of subscribers slowed down rapidly, compared to year 2000. We were forced to renegotiate and postpone planned delivery schedules and new orders were sharply reduced. In the second half, the situation deteriorated markedly also in Latin America. The situation was better in certain markets, particularly in China and Eastern Europe. In USA, a decline in TDMA sales was almost fully offset by increased GSM sales. In Japan, however, the transition to 3G led to a sharp decline for our PDC systems sales, which was not yet compensated by similar volumes of 3G shipments.

We were successful in improving our market leading positions in mobile systems during the year, both for 3G and GSM. In North and Latin America, we won a major market share of contracts from operators migrating from TDMA to GSM/GPRS as the path to 3G. In China we won our first large contract for CDMA equipment. In Europe, we passed an important milestone on the way to Mobile Internet as we were awarded our first contract for multi-media messaging service (MMS) systems, for handling of pictures, animations and sound. Sales in Mobile Systems declined by 2 percent compared to year 2000, attributable to strong reductions in Western Europe and Latin America, partly offset by increased sales in Asia Pacific and Eastern Europe.

For Multiservice Networks the year started with strong orders and sales. Mid year, however, a sharp downturn occurred in Latin America, when operators stopped their investments in traditional narrow-band switching equipment, and in the end of the year, also our European customers reduced capital expenditures.

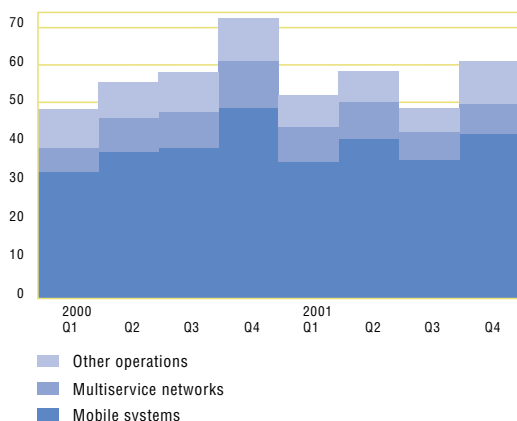
Overall sales declined by 9 percent. Continued good orders growth for our packet switching solution ENGINE was not enough to offset this. We have signed some 70 ENGINE contracts representing a market share over 40 percent.

The total market for handsets also declined compared to year 2000, with the number of units sold down from 409 million units to 390. The reduction was mainly attributable to a lower number of new subscribers in Europe. Ericsson's sales of phones during the first nine months were down approximately 45 percent, due to an unfavorable product mix and ongoing restructuring.

The handset market is now in a transition phase to a new structure, with vendors specializing in different layers of the value chain: platform development, application development, handset design, marketing and distribution, as opposed to the current structure, where suppliers are developing and selling complete phones. We adapted to this shift and at the same time restructured our handset business. By sharply reducing the cost base, we lowered our exposure to future market volatility.

We formed a joint venture with Sony for design, marketing and sales of next generation multimedia terminals. We are convinced that our expertise in telephony and radio technology combined with Sony's strength in consumer electronics, multimedia and entertainment will enable the joint venture to create exciting products. We also believe we are very well positioned to have a strong market presence, capitalizing on Ericsson's relations with leading telecom operators and Sony's distribution and service networks and consumer marketing experience. Under our strong brand names, we as partners target to make Sony Ericsson Mobile Communications the market leader in terminals for the Mobile Internet in 4 to 5 years.

Net sales by quarter (SEK b.)



Board of Directors' Report

Ericsson will continue to be a developer and licensor of core platform technology. Sony Ericsson is our first customer, and we already have agreements with other manufacturers of mobile devices.

Partnerships and venture capital activities Ericsson and Microsoft continue to work together regarding mobile Internet applications. The form changed from a jointly owned company to a cooperation agreement.

Ericsson and Juniper Networks launched a jointly owned (60 percent/40 percent) company for cooperation regarding IP routers.

The partnership regarding the Symbian operating system for mobile devices continued. New members were added, among them Sony Ericsson Mobile Communications, with 1.6 percent of the stock. Ericsson still holds 19.4 percent.

New cooperation initiatives with other vendors to support Mobile Internet development were: the Mobile Commerce Platform, for safe mobile commerce services, Mobile Games Interoperability forum (MGI), and MMS interoperability forum for Multimedia Messaging Services.

We established Ericsson Mobility World for support and cooperation with 3rd party developers of applications and devices.

In addition to the previous venture capital partnerships, Ericsson Venture Partners and imGO, Ericsson participated during 2001 with a minority stake in b-business partners, focusing on e-business between enterprises.

Products, R&D and IPR In spite of the ongoing cost reductions, which affected also R&D activities, total spending increased by SEK 5.3 b. or 15 percent from year 2000. We have increased our investments in core areas as 3G, while pruning costs in a number of other areas. R&D as percent of sales increased to 19 (16) percent.

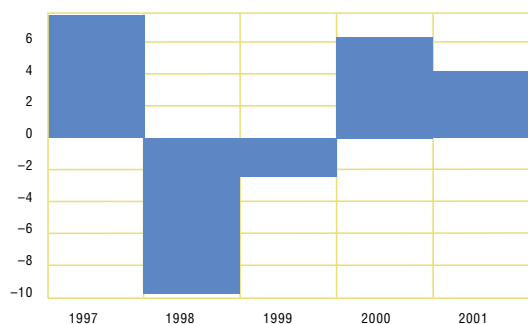
Many areas of development were related to 2.5G, 3G and Mobile Internet. Significant achievements during 2001 were:

- continued progress in industrialization, verification and interoperability tests of 3G equipment. We also performed the first 3G roaming call between Japan and UK and released TRAM – a Tool for Radio Access Management, supporting operators in planning 3G networks
- a new generation of GSM base stations, RBS 2206 HiCap, with increased capacity and reduced costs
- a new release of GPRS, which put us in the lead regarding functionality and also lead to a rapid roll out of commercial GPRS service among Ericsson customers
- a new state-of-the-art generation AXE, AXE 810, in a very compact design with an open architecture facilitating integration of own and 3rd party equipment
- an enhanced version of ENGINE with increased capacity to manage also very large exchanges
- several new mobile phones with good market reception, for example the high-end T68 GPRS phone with color screen and internal antenna. We also launched a number of modules for wireless machine-to-machine (M2M) communication.

Our perhaps most important assets are our intellectual property rights. We are very careful in protecting these through patents and defending them against infringement. Their importance lies not only in potential license revenues, but also in the cross-licensing opportunities that a strong patent portfolio offers.

During 2001, we applied for close to 1,100 (1,300) new patents. We also signed some license agreements, among those a major agreement with Samsung, Korea, for mobile telephony technology.

Cash flow before financing activities (SEK b.)



Financial results

The result for the year was a substantial loss, with an income before tax of SEK -30.3 (28.7) b. Adjusted operating income was SEK -17.9 (16.7) b. The major reasons for the decline were a continued loss in Phones of SEK -14.6 (-16.2) b. and a sharp drop for Systems to SEK 2.9 (32.6) b. or from 17 percent to 2 percent of sales. This was driven by continued increased R&D investments in 3G, unfavorable product mix, and reduced gross margins from price pressure, lower volumes and excess capacity costs. Strong cost reduction actions could not offset the effects of a market turn-around from growth to decline. Other operations also developed unfavorably and generated SEK -4.4 b. of losses, mainly due to sharply reduced sales for Microelectronics and Cables businesses. Non-operational capital gains of SEK 5.8 (21.3) b. were generated, SEK 5.5 b. of which through the sale of remaining shares in Juniper Networks in the first quarter. Financial net was SEK -2.0 (-1.5) b. due to increased borrowing.

Operating margin by Segment

Systems

For the first time since 1991, this year's order bookings were less than sales. Strong orders at the end of 2000 resulted in good sales in early 2001, but 2001 order bookings were adversely affected by very restrictive capital expenditures by operators in primarily Western Europe and Latin America.

Under the adverse market conditions, the results in our systems business relative to our competitors were reasonably good, with a decline in sales of 4 percent from SEK 195 b. to 188 b., and an SEK 2.9 (32.6) b. adjusted operating income before restructuring charges.

Mobile Systems sales declined 2 percent and Multiservice Networks 9 percent. In the declining market, price competition was intensified, product mix became unfavorable, with sharp declines for TDMA and PDC systems, and fixed costs in

manufacturing and implementation could not be reduced quickly enough to avoid excess capacity. Additional margin pressure came from initial costs and price pressure from break-through contracts for GSM and CDMA in North America and China respectively.

In the second quarter, we launched a massive Efficiency Program to reduce costs to the new market scenario with no near-term growth. Provisions of SEK 11 b. were made to cover such costs. The targeted reduction in annual run rate for operating expenses of SEK 20 b. was nearly achieved. The reduction in the individual fourth quarter was SEK 4.5 b. The adjusted operating margin in Systems, excluding restructuring costs and non-operational items, was 2 percent, down from 17 percent last year. The adjusted operating margin includes increased R&D investments for 3G products, and provisions of SEK 1.7 b. for increased customer financing risks in Latin America, due to deteriorating economic conditions there.

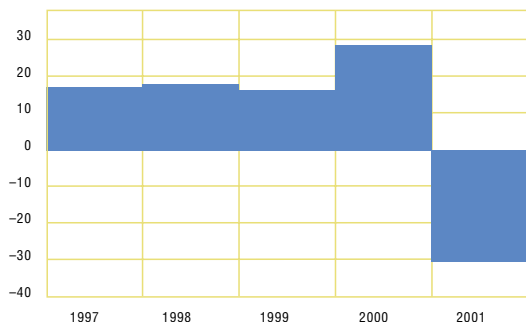
Phones

The adjusted operating income in Phones was SEK -14.6 (-16.2) b. This was caused by a 45 percent decrease in sales for the first nine months compared to last year, and lower margins due to price competition and an unfavorable product mix. Excess capacity, inventory write-downs, and high warranty costs due to product quality problems in the beginning of the year were other significant contributing factors. The major part of the loss was incurred during the first nine months of the year.

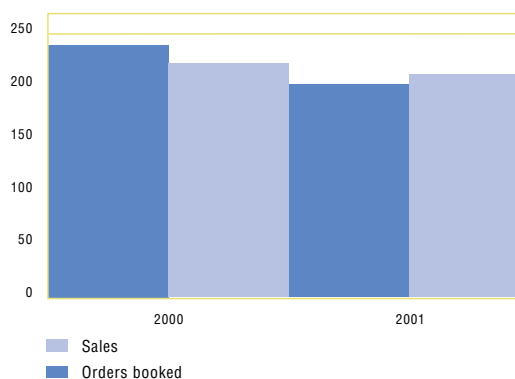
From October, most of the handset operations, dramatically downsized through restructuring activities, were transferred to a joint venture with Sony.

The joint venture got off to a good start, with a fast integration of transferred operations from the partners, in total 4,000 employees. The JV benefited from a good product portfolio, including a number of popular high-end GPRS

Income before taxes (SEK b.)



Sales and Orders booked (SEK b.)



Board of Directors' Report

phones. The sales in the fourth quarter were somewhat lower than expected due to a much lower market demand and the JV incurred a loss of which our share was SEK -0.7 b.

Other Operations

Remaining handset activities, manufacturing in China, mobile platforms and Bluetooth and remaining phase-out costs, in total SEK -2.4 b., are included in Other Operations. Total adjusted operating income in Other operations was SEK -4.4 (2.2) b. In addition to the loss from retained handset operations, low sales volumes for Cables, Microelectronics, and Enterprise all contributed to the loss. Defense Systems operations were profitable.

Financial income and expenses, Taxes and Earnings per share

Due to increased borrowing and also a strong build up of our cash position and payment readiness, both interest income and interest expense increased over last year. Financial net was SEK -2.0 (-1.5) b.

Taxes were positive due to the reported negative Income before tax. The average tax rate was back to a more normal level of 30 percent, compared to last year's level of 27 percent caused by non-taxable capital gains.

Earnings per share (EPS) diluted were SEK -2.69 (2.65). (No dilution is considered this year, due to the loss, since it would improve the EPS.) EPS per US GAAP was SEK -3.14 (2.94). In previous years, EPS per US GAAP has normally been higher than EPS per Swedish GAAP. This year it is lower, due to negative net impact of capitalization of development costs for software products, different rules regarding timing of recognition of restructuring costs plus effects of market valuation of certain derivatives.

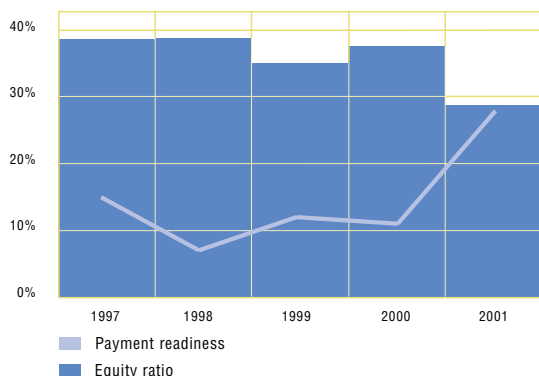
Balance sheet, Financing and Cash flow Year 2001 early presented us with great challenges, particularly in terms of cash flow and equity ratio. During the first quarter we incurred negative cash flow of SEK 17.7 b., which we addressed with some very focused actions, taken at the same time as conditions in the capital markets started to get more difficult.

The largest reason for the negative cash flow was a sharp rise in accounts receivable. A special program to deal with this was initiated and all top managers' bonus targets were reset and linked to a positive cash flow for Ericsson for the full year. Days sales outstanding (DSO) increased from 82 days at the end of year 2000 to 116 days at the end of the first quarter and were reduced to 88 days by the end of the year. Inventory turnover also first declined and later regained some of the fall-back in a similar way.

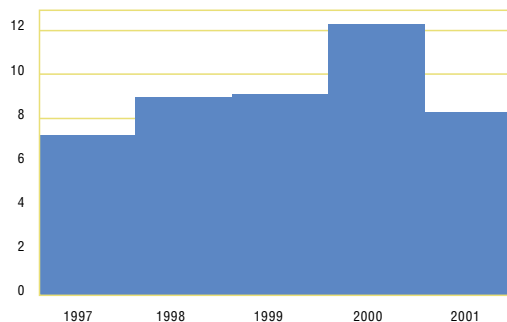
Customer financing in total increased during the year from SEK 21 b. to SEK 26 b. An increased portion was refinanced externally – at the end of 2001, only approximately one third was on-balance, compared to half at the end of 2000. In a credit portfolio of in total SEK 16.1 b. sold in the market in the fourth quarter, we managed to include a substantial share of future commitments, which will keep our exposure on a controllable level. SEK 2 b. improved cash flow 2001.

The working capital improvements took place gradually, and positive cash flows were reported for the last three-quarters, with SEK 16.4 b. in the last quarter alone, which brought the total to SEK 4.2 b. Further improvements in working capital performance will still have high priority for 2002.

Equity ratio and Payment readiness (percent)



Investments in tangible assets (SEK b.)



The negative cash flow in the first quarter plus the increasing market uncertainty highlighted the need for a strong reinforcement of our payment readiness. Therefore a borrowing program was launched in the second quarter to increase cash and to extend the maturity profile of borrowings through amortization of short-term loans. The program was successful, and around SEK 26 b. raised.

To safeguard our freedom of action, we increased payment readiness during the year from 11 to 28 percent, thereby establishing a necessary cushion for potential swings in the cash flow. Adjusted for this temporarily increased cash balance, the equity ratio at year-end, 29 percent, would have been approximately 35 percent.

During the year, we made no material acquisitions, except for our equity stake of SEK 2.8 b. in the joint venture Sony Ericsson Mobile Communications and the SEK 0.3 b. purchase of Hewlett-Packard's remaining 19 percent holding in Ericsson Hewlett-Packard (EHPT). Operational support systems were transferred into Mobile Systems operations within Ericsson, while billing products remain in EHPT.

Certain assets were divested:

- in the first quarter, remaining shares in Juniper Networks were sold with a capital gain of SEK 5.5 b. and a cash flow of the same magnitude
- in the second quarter, distribution operations within Enterprise Systems were sold to Apax with no capital gain, but with a cash flow of SEK 3.4 b.
- during the year, real estate assets and operations, including our London office at St. James's place, were sold with a net capital gain of SEK 1.3 b. and a cash flow of SEK 4.7 b.
- in the fourth quarter, computers, servers and production test equipment worth SEK 2.0 b. were sold, and SEK 8.0 b. of test plants for software were sold and leased-back in a financial lease transaction.

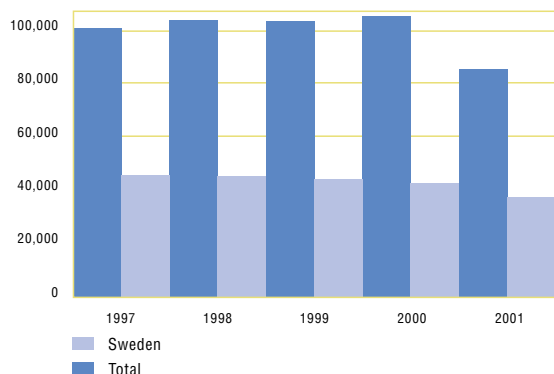
Organization and employees

Organization and Management changes During 2001, the previous divisional structure was modified to have five business units responsible for product management, supported by a number of core units for development and supply. The previous five market areas were combined to three, and special Global Customer Units were formed to better serve certain large customers operating in multiple countries. In the context of our efficiency program, the number of market units was also consolidated from more than 100 to 35.

A number of changes were made in Ericsson's corporate executive team during 2001:

- Executive Vice President Haijo Pietersma resigned and Executive Vice Presidents Bengt Forssberg, Johan Siberg and Kjell Sörme retired
- A new COO function was established and Per-Arne Sandström was appointed
- New Market Area managers were appointed:
The Americas: Gerhard Weise
Europe, Middle East & Africa: Mats Dahlin
Asia Pacific: Ragnar Bäck
- New Business Unit managers were appointed:
Mobile Systems – WCDMA & GSM: Einar Lindquist
Mobile Systems – CDMA: Åke Persson
Multiservice Networks: Johan Bergendahl
Transport & Transmission: Björn Olsson
Global Services: Bert Nordberg

Number of employees



Board of Directors' Report

Employees In the beginning of 2001, Ericsson had 105,000 employees. This number increased to 107,000 during the first quarter. Then the Efficiency Program was launched and certain divestitures were made, which together reduced number of employees by 22,000 to be 85,000 by year-end:

Efficiency Program	10,600
Back-to-Profit program in Phones	4,000
Outsourcing/divestitures	7,400
Total	22,000

In addition, the number of consultants and temporary workers was reduced from around 15,000 in March to less than 7,000 by year-end.

These actions were necessary to reduce cost levels and remain competitive in a contracting market.

Employee share-based compensation During the year, 47.5 million employee stock options in the 2001 program were granted to 15,000 employees. A stock purchase plan with matching contributions 1:1 was also decided, and will be implemented in 2002. To hedge potential cash flow and secure delivery of matching shares, a stock issue and a subsequent repurchase of 155 million shares as treasury stock was made. This increased restricted capital stock by SEK 155 m. and reduced unrestricted capital stock by SEK 156 m.

Restructuring and Efficiency Program In order to mitigate the adverse effects of the sharply declining sales, an efficiency program was launched in the second quarter, mainly related to Systems and aiming at reductions in expenses of approximately SEK 20 b. per year. An acceleration of the ongoing Back-to-Profit-program in Phones was also made, in order to speed up restructuring in preparation for a partnership with Sony. Provisions of SEK 15 b. were made for charges under these programs. Both programs were carried out according to plan and projected reductions in run-rates of costs were achieved, which is essential for performance improvement in 2002.

Environmental issues The ISO 14001, environmental management system is implemented in all Ericsson production units. As the first company, Ericsson received a global ISO 14001 certification. Ericsson was ranked number one in the communications technology industry in Dow Jones' index for sustainability.

Ericsson has production operations in x countries for manufacturing of cables and components and assembly of electronic products. Ericsson has 14-x production facilities in Sweden. For 7-y of these, permissions for emissions/noise are required and for 5-z, hazardous activities shall be reported. Ericsson

is continuously striving to reduce environmental impact from production. No significant environmental liabilities are known.

Board of Directors and Board procedures

All Directors of the Board were re-elected at the Annual General Meeting held on March 28, 2001. The Board of Directors consists of nine Directors elected by the shareholders at the Annual General Meeting as well as three employee representatives, each with a deputy, appointed by their respective employee organization.

Sixteen Board meetings were held during year 2001. Observations made by the Company auditors have been reported to the Board.

The work of the Board is subject to a Work Procedure, adopted and revised by the Board at least once a year. The Work Procedure stipulates the distribution of work among the Board and its three committees and between the Board and the President. The members of the three committees, Audit, Finance and Remuneration, are appointed by the Board among its members. The Board has authorized each committee to decide on certain issues, and the Board may also provide extended authorization to a committee to decide on specific matters.

The Audit Committee consists of three members appointed by the Board. The present members are Clas Reuterskiöld, Chairman, Peter Sutherland and Jan Hedlund. In short, the Audit Committee's area of responsibility covers review of the scope and execution of audits performed, review of financial reporting, internal audit functions, matters and reservations arising from audits performed and audit fees.

The Finance Committee consists of four members appointed by the Board. The present members are Lars Ramqvist, Chairman, Tom Hedelius, Marcus Wallenberg and Göran Engström. In short, the Finance Committee's area of responsibility covers to resolve investments and divestments, capital contributions to companies inside and outside the Ericsson Group, raising of loans, issuance of guarantees and similar undertakings, provision of credits to customers and suppliers as well as to continuously monitor the Group's financial risk exposure.

The Remuneration Committee consists of two members appointed by the Board. The present members are Göran Lindahl, Chairman, and Sverker Martin-Löf. In short, the Remuneration Committee's area of responsibility covers to review and prepare, for resolution by the Board, strategies and general guidelines for compensation to employees, including incentive plans and retirement compensation, as well as specific proposals for salary, other remuneration and retirement compensation to the President, Executive Vice Presidents, and other officers reporting directly to the President.

At the Annual General Meeting of Shareholders on March 28, 2001, the shareholders voted for the establishment of a Nomination Committee, consisting of representatives of the owners and the Chairman of the Board. The Board of Directors is authorized to appoint the members of the Nomination Committee in co-operation with major shareholders of the Company. The present members are Lars Ramqvist, Chairman of the committee, Percy Barnevik, Investor, Bo Rydin, Industrivärden, Anders Ek, Robur, and Lars Otterbeck, Alecta. The main task of the committee is to nominate individuals to be elected Directors of the Board. The Nomination Committee shall also prepare and present for resolution by the Annual General Meeting a proposal for Board of directors' fee. The proposals of the Nomination committee shall be a part of the notice to the general meeting at which the Board members are appointed.

At the Board meeting on October 26, 2001, Lars Ramqvist announced that he will not be available for re-election at the Annual General Meeting in March 2002 and that the Nomination Committee had nominated Michael Treschow Chairman elect. Michael Treschow is currently President & CEO of Electrolux. The Board has elected Lars Ramqvist Honorary Chairman of the Board effective from the Annual General Meeting 2002.

Post closing events

Ericsson has won its first global contract to supply Multimedia Messaging Services (MMS) software to Vodafone Group Plc (UK). The companies have agreed a rollout schedule that will see commercial availability of the service in Europe from the middle of this year.

Ericsson Mobile Platforms has signed a licensing agreement regarding mobile phone technology for 2.5G and 3G/UMTS with LG Electronics (Korea).

A contract is signed with Verizon Wireless (USA) for Ericsson's CDMA 2000 AAA (Authentication, Authorization and Accounting) solution for Verizon's CDMA 2000 1XRTT Express Network.

A deposit of SEK 5.5 b. was made in January as a security for the above-mentioned financial lease of test plants until final refinancing is in place.

Market view

During 2001 the number of mobile subscribers worldwide grew from 721 to about 950 million, in line with our forecasted growth of around 30 percent. We expect about 200 million new subscribers to be added in 2002, a solid growth rate of 20–25 percent. Our long-term forecast of 1.6 billion mobile subscribers by the end of 2005 remains unchanged.

The number of mobile phones sold in 2001 was approximately 390 million, close to our forecasted 400 million. In 2002, we anticipate up to 10 percent unit volume growth, driven by new subscribers as well as increased availability of replacement phones with GPRS, Bluetooth, color screens and multi-media messaging.

The slowdown in the telecommunications equipment market continued during the fourth quarter, resulting in a more or less flat mobile systems market for the full year. The wireline systems market contracted significantly and is likely to shrink further during 2002.

These market conditions are expected to persist well into 2002 with the first half considerably weaker than the second. We maintain our view that the global market for mobile systems will be flat to down 10 percent in 2002. However, the North American market may show modest growth as operators upgrade to GSM/GPRS, 3G/EDGE and CDMA2000.

The build-out of several 3G networks in Europe and Asia has begun with launch of commercial services planned for later this year. The number of 3G subscribers could reach well over one million by the end of the year, depending on the availability of phones.

Our market view is based on discussions with our customers and on the current macro-economic outlook. We have assumed:

- that the market downturn will last well into 2002
- that there will be significant net subscriber additions, with increasing usage per subscriber
- that GPRS traffic will gradually build up of over the next 12 months
- that deployment of 3G systems will accelerate in the second half of 2002.

Outlook for the year 2002

In the third quarter report, we stated that our sales of Mobile Systems during 2002 were expected to be at least in line with the market development of flat to down 10 percent. We also stated an objective of an operating margin over 5 percent for the full year, even if net sales decline as much as 10 percent compared to 2001.

We maintain this outlook for the full year 2002 with an operating loss in the first quarter and results improving over the year. Our objective is also to generate positive cash flow for the full year.

For the first quarter of 2002, we expect sales to be approximately SEK 40 b., with Mobile Systems sales declining and particularly weak sales in Multiservice Networks. Income before taxes is expected to be at about the same level as in the first quarter of 2001, including a small loss from Sony Ericsson Mobile Communications. We will implement necessary cost reductions on an ongoing basis to meet our operational targets.

Board of Directors' Report

Pro forma reporting in 2002 Next year, Ericsson will apply changed Swedish accounting principles, affecting primarily the treatment of development expenses. Subject to feasibility tests, development expenses will be capitalized and subsequently amortized. No adjustment of previous years is allowed, which means that during the first 3–4 years of usage, reported operating income will increase, as capitalized amounts will exceed amortization.

Ericsson is of the opinion that the resulting income is not comparable with previous years and may mislead investors. Ericsson has, however, for US GAAP purposes, already capitalized development expenses for many years. For improved comparability, we will therefore present pro forma income statements, reflecting income as if capitalization according to the new Swedish GAAP had been made also in previous years.

In these pro forma statements we will also report results of the handset operations transferred to Sony Ericsson Mobile Communications net under "Share in earnings of joint ventures and associated companies" as if equity accounting had been applied for year 2001. The total income amount will not be changed.

Parent company Telefonaktiebolaget LM Ericsson

The Parent company business consists mainly of corporate management and holding company functions. It also includes activities performed on a commission basis by Ericsson Treasury Services AB and Ericsson Credit AB regarding internal banking and customer credit management. The Parent company has branch and representative offices in 15 (15) countries.

In the second quarter, as decided at the Annual General Meeting, a stock issue and a subsequent stock repurchase was carried out related to the 2001 employee stock option and stock purchase plans. The stock issue increased the capital stock in restricted stockholders' equity by SEK 155 m. and the repurchase of shares reduced non-restricted equity by SEK 156 m.

Net sales for the year amounted to SEK 1.4 (1.2) b. and income after financial items was SEK –6.4 (9.0) b. Write-downs of investments in subsidiaries have affected income by SEK –19.0 b.

Major changes in the company's financial position were:

- Increased investments in subsidiaries of SEK 9.1 b.
- Increased current and long-term commercial and financial receivables from subsidiaries of SEK 25.7 b.
- Increased cash and short-term cash investments of SEK 23.2 b.

These investments were financed primarily through increased internal borrowing of SEK 44.3 b. and increased short and long-term external borrowing of SEK 22.0 b. At year-end, cash and short-term cash investments amounted to SEK 49.0 (25.9) b.

In Ericsson Credit AB, cash flow was positively affected by increased sales to the credit market of customer financing receivables.

Proposed disposition of earnings

Non-restricted equity available for distribution by the shareholders at the Annual General Meeting is SEK 13,289,420,303.

The Board of Directors proposes that no dividend be paid, and that the whole amount be retained within the business.

Stockholm January 25, 2002
Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016-0680

Tom Hedelius
Deputy chairman

Lars Ramqvist
Chairman

Marcus Wallenberg
Deputy chairman

Göran Lindahl

Sverker Martin-Löf

Clas Reuterskiöld

Peter Sutherland

Eckhard Pfeiffer

Niall FitzGerald

Göran Engström

Jan Hedlund

Per Lindh

Kurt Hellström
President and CEO

Consolidated Income Statement

Years ended December 31, SEK m.	<i>Note</i>	2001	2000	1999
Net sales	1	231,839	273,569	215,403
Cost of sales		-173,900	-180,392	-125,881
Gross margin		57,939	93,177	89,522
Research and development and other technical expenses		-46,640	-41,921	-33,123
Selling expenses		-31,694	-34,706	-30,005
Administrative expenses		-14,185	-13,311	-11,278
Other operating revenues	2	8,207	27,652	2,224
Share in earnings of joint ventures and associated companies	8	-721	274	250
Operating income*		-27,094	31,165	17,590
Financial income	3	3,743	2,929	2,273
Financial expenses	3	-5,782	-4,449	-2,971
Income after financial items		-29,133	29,645	16,892
Minority interest in income before taxes		-1,176	-953	-506
Income before taxes*		-30,309	28,692	16,386
Taxes				
Income taxes for the year	4	8,813	-7,998	-4,358
Minority interest in taxes		232	324	102
Net income		-21,264	21,018	12,130
Earnings per share, basic SEK	5	-2.69	2.67	1.55
Earnings per share, diluted, SEK	5	-2.69	2.65	1.54
* Of which items affecting comparability				
Non-operational capital gains/losses, net		347	5,933	-328
Capital gain, Juniper		5,453	15,383	-
Pension refund		-	1,100	-
Restructuring costs		-15,000	-8,000	-
Total		-9,200	14,416	-328
Adjusted operating income		-17,894	16,749	17,918
Adjusted income before taxes		-21,109	14,276	16,714
Ratios – Adjusted Income statement items as percentage of net sales				
Adjusted gross margin		28.6%	36.8%	41.6%
Adjusted operating expenses		37.0%	32.7%	34.5%
Adjusted operating margin		-7.7%	6.1%	8.3%
Capital gains/losses, net of minority, included in income before taxes		5,979	25,229	1,843
Operational gains/losses		5,632	19,296	2,171
Non-operational gains/losses		347	5,933	-328
Ratios – Income statement items as percentage of net sales				
Gross margin		25.0%	34.1%	41.6%
Operating expenses		39.9%	32.9%	34.5%
Operating margin		-11.7%	11.4%	8.2%
Return on sales		-10.1%	12.5%	9.2%
Other Ratios				
Return on capital employed		-15.8%	26.5%	19.0%
Capital employed turnover		1.6	2.1	2.1
Accounts receivable turnover		3.5	3.9	3.7
Inventory turnover		4.8	5.2	4.8

Consolidated Income Statement – Pro forma

CONSOLIDATED INCOME STATEMENT – PRO FORMA

Pro forma format, reflecting results with parts of Phones transferred to the joint venture Sony Ericsson Mobile Communications, accounted for under the equity method, and retained parts included in Other operations, and with items affecting comparability reported separately. No change in reported total income numbers are made.

SEK m	2001	2000	Jan-Dec Change
Net sales	210,837	221,586	-5%
Cost of sales	-138,123	-120,617	15%
Gross margin	72,714	100,969	-28%
Gross margin as percentage of net sales	34.5%	45.6%	
Restructuring costs	-4,858	0	
Gross margin after restructuring costs	67,856	100,969	-33%
Research and development and other technical expenses	-40,247	-34,949	15%
Selling expenses	-26,927	-26,072	3%
Administrative expenses	-11,175	-12,004	-7%
Operating expenses	-78,349	-73,025	7%
Operating expenses as percentage of net sales	37.2%	33.0%	
Restructuring costs	-6,242	0	
Operating expenses including restructuring costs	-84,591	-73,025	16%
Other operating revenues	8,209	27,132	
Share in earnings of joint ventures and associated companies	-14,668	-15,911	
Restructuring costs, Phones	-3,900	-8,000	
Operating income*	-27,094	31,165	
Operating margin as percentage of net sales	-12.9%	14.1%	
Financial income	3,743	2,929	28%
Financial expenses	-5,782	-4,449	30%
Income after financial items	-29,133	29,645	
Minority interest in income before taxes	-1,176	-953	23%
Income before taxes	-30,309	28,692	
Taxes	9,045	-7,674	
Net Income	-21,264	21,018	
*Of which items affecting comparability			
Non-operational capital gains/losses, net	347	5,933	
Capital gain, Juniper	5,453	15,383	
Pension refund	-	1,100	
Restructuring costs	-15,000	-8,000	
Total	-9,200	14,416	
Adjusted operating income	-17,894	16,749	
Adjusted operating margin	-8.5%	7.6%	
Adjusted income before taxes	-21,109	14,276	

Restructuring costs included in cost of sales and operating expenses are shown separately to facilitate comparisons between years.

Consolidated Balance Sheet

December 31, SEK m.	Note	2001	2000
ASSETS			
Fixed assets			
Intangible assets	6	13,066	12,833
Tangible assets	7, 23, 25	16,075	22,378
Financial assets	8		
Equity in joint ventures and associated companies		4,497	2,790
Other investments		3,100	2,484
Long-term customer financing		4,225	6,364
Other long-term financial assets		13,739	3,657
		54,702	50,506
Current assets			
Inventories	10	24,910	43,933
Receivables			
Accounts receivable – trade	11	57,438	74,973
Short-term customer financing		2,174	1,267
Other receivables	13	41,993	44,029
Short-term cash investments		36,046	18,779
Cash and bank		32,793	16,827
		195,354	199,808
Total assets		250,056	250,314
STOCKHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Stockholders' equity	14		
Capital stock		8,066	7,910
Reserves not available for distribution		29,593	32,600
Restricted equity		37,659	40,510
Retained earnings		52,192	30,158
Net income		-21,264	21,018
Non-restricted equity		30,928	51,176
		68,587	91,686
Minority interest in consolidated subsidiaries		3,532	2,764
Provisions	16	34,171	27,650
Long-term liabilities	17, 20		
Notes and bond loans		41,656	15,884
Convertible debentures		4,437	4,346
Liabilities to financial institutions		5,154	1,320
Other long-term liabilities		887	744
		52,134	22,294
Current liabilities			
Current maturities of long-term debt		3,622	3,188
Current liabilities to financial institutions	18	16,702	12,289
Advances from customers		4,803	6,847
Accounts payable – trade		19,546	30,156
Income tax liabilities		1,850	5,080
Other current liabilities	19	45,109	48,360
		91,632	105,920
Total stockholders' equity, provisions and liabilities¹		250,056	250,314
¹ Of which interest-bearing provisions and liabilities 81,761 (46,563), current portion 20,324 (15,477)			
Assets pledged as collateral	20	2,615	435
Contingent liabilities	21	15,583	11,184

Consolidated Statement of Cash Flows

Years ended December 31, SEK m.	<i>Note</i>	2001	2000	1999
Operations	<i>22</i>			
Net income		-21,264	21,018	12,130
Adjustments to reconcile net income to cash				
Minority interest in net income		943	629	404
Undistributed earnings of associated companies		926	-70	18
Depreciation and amortization		7,749	10,936	7,382
Capital gains on sale of fixed assets		-6,126	-25,278	-1,399
Taxes		-16,905	1,859	-947
Changes in operating net assets				
Inventories		20,103	-18,305	714
Customer financing, short-term and long-term		1,777	946	722
Accounts receivable – trade		19,454	-10,446	-9,911
Other operating assets, provisions and liabilities, net		-7,340	7,863	3,812
Cash flow from operating activities		-683	-10,848	12,925
Investments				
Investments in tangible assets		-8,306	-12,293	-9,085
Sales of tangible assets	<i>22</i>	9,683	6,620	625
Acquisitions/sales of other investments, net	<i>22</i>	5,322	22,643	-4,768
Net change in capital contributed by minority		-67	10	134
Other		-1,766	264	-2,270
Cash flow from investing activities		4,866	17,244	-15,364
Cash flow before financing activities		4,183	6,396	-2,439
Financing	<i>22</i>			
Changes in current liabilities to financial institutions, net		2,542	799	3,854
Issue of convertible debentures		-	1,048	58
Proceeds from issuance of other long-term debt		34,427	1,760	15,163
Repayment of long-term debt		-4,361	-1,296	-1,515
Stock issue		155	-	-
Gain on sale of own stock options and convertible debentures		-	2,018	-
Repurchase of own stock		-156	-386	-
Dividends paid		-4,295	-4,179	-4,010
Cash flow from financing activities		28,312	-236	13,550
Effect of exchange rate changes on cash		738	438	-336
Net change in cash		33,233	6,598	10,775
Cash and cash equivalents, beginning of period		35,606	29,008	18,233
Cash and cash equivalents, end of period		68,839	35,606	29,008

Parent Company Income Statement

Years ended December 31, SEK m.	<i>Note</i>	2001	2000	1999
Net sales	1	1,374	1,195	15,375
Cost of sales		-1,547	-1,669	-10,944
Gross margin		-173	-474	4,431
Research and development and other technical expenses		-70	-166	-5,386
Selling expenses		-3,446	-1,581	-4,116
Administrative expenses		-1,386	-1,142	-2,580
Other operating revenues	2	3,066	3,061	3,155
Operating income		-2,009	-302	-4,496
Financial income	3	19,224	12,352	9,915
Financial expenses	3	-23,645	-3,090	-2,202
Income after financial items		-6,430	8,960	3,217
Appropriations to (-)/transfers from untaxed reserves				
Changes in depreciation in excess of plan	15	4	74	371
Changes in other untaxed reserves	15	1,172	70	-2,691
		1,176	144	-2,320
Contributions from subsidiaries, net		115	700	5,292
Income before taxes		-5,139	9,804	6,189
Income taxes for the year	4	-219	-671	-623
Deferred income taxes	4	612	-113	-
Net income		-4,746	9,020	5,566

2000 adjusted according to RR9 – Income taxes. See Accounting Principles and Notes.

Parent Company Balance Sheet

December 31, SEK m.	<i>Note</i>	2001	2000
ASSETS			
Fixed assets			
Intangible assets	6	111	33
Tangible assets	7, 25	61	96
Financial assets			
Investments			
Subsidiaries	8, 9	44,483	35,353
Joint ventures and associated companies	8, 9	3,725	1,008
Other investments	8	54	84
Receivables from subsidiaries	12	29,673	22,682
Long-term customer financing	8	1,894	6,320
Other long-term financial assets	8	2,919	1,918
		82,920	67,494
Current assets			
Inventories	10	2	3
Receivables			
Accounts receivable — trade	11	805	102
Short-term customer financing		2,197	629
Receivables from subsidiaries	12	54,495	35,757
Other receivables	13	10,237	10,117
Short-term cash investments		36,399	17,361
Cash and bank		12,616	8,501
		116,751	72,470
Total assets		199,671	139,964
Assets pledged as collateral	20	1,493	322

2000 adjusted according to RR9 – Income taxes. See Accounting Principles and Notes.

December 31, SEK m.	<i>Note</i>	2001	2000
STOCKHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Stockholders' equity	<i>14</i>		
Capital stock		8,066	7,910
Share premium reserve		3,694	3,685
Revaluation reserve		20	20
Statutory reserve		6,741	6,741
Restricted equity		18,521	18,356
Retained earnings		18,035	13,125
Net income		-4,746	9,020
Non-restricted equity		13,289	22,145
		31,810	40,501
Untaxed reserves	<i>15</i>	4,086	5,262
Provisions	<i>16</i>	5,055	2,833
Long-term liabilities			
Notes and bond loans	<i>17</i>	41,656	15,884
Convertible debentures	<i>17</i>	4,437	4,346
Liabilities to financial institutions	<i>17</i>	272	322
Liabilities to subsidiaries	<i>12, 17</i>	45,574	13,345
Other long-term liabilities	<i>17</i>	128	37
		92,067	33,934
Current liabilities			
Current maturities of long-term debt		3,344	2,713
Current liabilities to financial institutions	<i>18</i>	318	4,756
Advances from customers		17	34
Accounts payable — trade		807	527
Liabilities to subsidiaries	<i>12</i>	57,376	45,360
Income tax liability		—	265
Other current liabilities	<i>19</i>	4,791	3,779
		66,653	57,434
Total stockholders' equity, provisions and liabilities		199,671	139,964
Contingent liabilities	<i>21</i>	23,597	13,406

2000 adjusted according to RR9 – Income taxes. See Accounting Principles and Notes.

Parent Company Statement of Cash Flows

Years ended December 31, SEK m.	<i>Note</i>	2001	2000	1999
OPERATIONS				
Net income	22	-4,746	9,020	5,566
Adjustments to reconcile net income to cash				
Depreciation and amortization		56	56	322
Write-downs and capital gains (-)/losses on sale of fixed assets		18,983	-2,268	41
Appropriations to/transfers from (-) untaxed reserves		-1,176	-144	2,320
Unsettled contributions from (-)/to subsidiaries		38	-190	-5,200
Unsettled dividends		-3,700	-3,800	-3,904
Deferred taxes		-612	-113	-
Changes in operating net assets				
Inventories		1	2	655
Customer financing, short-term and long-term		2,858	-514	-6,188
Accounts receivable — trade		-1,373	-708	-450
Other operating assets, provisions and liabilities, net		12,015	3,960	2,047
Cash flow from operating activities		22,344	5,527	-4,791
Investments				
Investments in tangible assets		-20	-91	-368
Sales of tangible assets		23	331	1,810
Acquisitions/sales of other investments, net	22	-9,196	-3,174	-5,185
Lending, net		-14,037	-24,086	-4,397
Other		-1,343	1,705	-1,705
Cash flow from investing activities		-24,573	-25,315	-9,845
Cash flow before financing activities		-2,229	-19,788	-14,636
Financing				
Changes in current liabilities to financial institutions, net		-4,400	3,797	890
Changes in current liabilities to subsidiaries		8,980	29,628	11,120
Proceeds from issuance of other long-term debt		28,244	-	13,323
Repayment of long-term debt		-3,582	-55	-556
Stock issue		155	-	-
Repurchase of own stock		-156	-386	-
Dividends paid		-3,953	-3,918	-3,904
Other		94	-506	456
Cash flow from financing activities		25,382	28,560	21,329
Net change in cash		23,153	8,772	6,693
Cash and cash equivalents, beginning of period		25,862	17,090	10,397
Cash and cash equivalents, end of period		49,015	25,862	17,090

2000 adjusted according to RR0 – Income taxes. See Accounting Principles and Notes.

ACCOUNTING PRINCIPLES

The consolidated financial statements of Telefonaktiebolaget LM Ericsson and its subsidiaries (“the Company”) are prepared in accordance with accounting principles generally accepted in Sweden, thereby applying the Swedish Financial Accounting Standards Council’s (RR) recommendations. These accounting principles differ in certain respects from those in the United States. For a description of major differences, see Note 24.

A Principles of consolidation

The consolidated financial statements include the accounts of the Parent company and all subsidiaries. Subsidiaries are all companies in which the Company has an ownership and directly or indirectly has a voting majority or by agreement has a decisive influence. Intercompany transactions have been eliminated.

The consolidated financial statements have been prepared in accordance with the purchase method, whereby consolidated stockholders’ equity includes equity in subsidiaries and associated companies earned only after their acquisition.

In the consolidated Income Statement, minority interests are, in deviation from the Swedish Financial Accounting Standards Council’s recommendation RR01, divided into two items; share in income before taxes and share in taxes. The reason is that this method gives a fairer view of the important measure Income before taxes.

Material investments in associated companies, where voting stock interest is at least 20 percent but not more than 50 percent, are accounted for according to the equity method. Ericsson’s share of income before tax in these companies is reported in item “Share in earnings of associated companies”, included in the Operating Margin. Taxes are included in item “Taxes”. Unrealized internal profits in inventory in associated companies purchased from subsidiaries are eliminated in proportion to ownership in the consolidated accounts. Investments in associated companies are shown at equity after adjustments for unrealized intercompany profits and unamortized goodwill (see B below).

Undistributed earnings of associated companies included in consolidated restricted equity are reported as “Equity proportion reserve”. Minor investments in associated companies and all other investments are accounted for as Other investments, and carried at the lower of cost or fair market value.

Interests in joint ventures are accounted for according to the equity method.

B Goodwill

Goodwill, positive and negative, resulting from acquisitions of consolidated companies is amortized/reversed according to individual assessment of each item’s estimated economic life, resulting in amortization periods of up to 20 years. Depending on the nature of the acquisition, goodwill amortizations are reported under “Research and development and other technical expenses”, “Selling expenses” or “Administrative expenses”.

C Translation of foreign currency financial statements

For most subsidiaries, joint ventures and associated companies, the local currency is the currency in which the companies primarily generate and expend cash, and is thus considered their functional (business) currency. Their financial statements plus goodwill related to such companies, if any, are translated to SEK using the current method, whereby any translation adjustments are reported directly to stockholders’ equity. When a company accounted for in accordance with these principles is sold, accumulated translation adjustments are included in the consolidated income.

Financial statements of companies with finance activities or other companies, having such close relations with the Swedish operations that their functional currency is considered to be the Swedish krona, are translated using the monetary method. Adjustments from translation of financial statements of these companies are included in the consolidated Income Statement (see Note 14).

Financial statements of companies operating for example in countries with highly inflationary economies, whose functional currency is considered to be another currency than local currency, are translated in two steps. In the first step, remeasurement is made into the functional currency. Gains and losses resulting from this remeasurement are included in the consolidated Income Statement. In the second step, from the functional currency to Swedish kronor, balance sheet items are translated at year-end exchange rates, and income statement items at the average rates of exchange during the year. The resulting translation adjustments are reported directly against stockholders’ equity. The remeasurement method, which is in accordance with US GAAP FAS 52, gives a fairer view of these financial statements than a translation directly to Swedish kronor, since companies concerned operate in de facto US dollar- or Euro-based economies.

D Translation of foreign currency items in individual companies

In the financial statements, receivables and liabilities in foreign currencies have been translated at year-end exchange rates.

Gains and losses on foreign exchange are divided into operational and financial. Net operational gains and losses are included in Cost of sales. Gains and losses on foreign exchange attributable to financial assets are included in financial income, and gains and losses related to financial liabilities are included in financial expenses.

Translation effects related to permanent financing of foreign subsidiaries are reported directly to stockholders' equity, net of tax effects.

E Valuation of and accounting for financial instruments

Short-term cash investments held by companies other than Ericsson Treasury Services AB are valued at the lowest of acquisition cost plus accrued interest and market value.

Short-term investments, interest related derivatives and the interest component in foreign exchange derivatives in Ericsson Treasury Services AB are valued to the lowest of total acquisition cost and total market value in accordance with the lower of cost or market principle. Unrealized gains are reserved.

Derivative instruments are used mainly to hedge financial interest and currency risks. Foreign exchange derivatives hedging certain positions have been valued in a manner reflecting the accounting for the hedged position. Interest-related derivatives linked to specific investments or loans or which are applied to hedge interest positions are valued in the same manner as the hedged position.

Gains and losses from derivatives in Ericsson Treasury Services AB are reported net as other financial income/ expenses. For other companies, gains and losses are reported in the same manner as the underlying position.

When a transaction hedged in advance ceases to be an exposure, the hedge is closed. Hereby deviations between actual and hedged flows are recognized in income as soon as they are identified.

Financial assets and liabilities are reported net when a legally enforceable right for offset exists and there is intent to settle on a net basis or to realise the asset and settle the liability at the same time.

F Intangible and tangible fixed assets

Intangible and tangible fixed assets are stated at cost less accumulated depreciation, adjusted with net value of revaluations.

Annual depreciation is reported as plan depreciation, generally using the straight-line method, with estimated useful lives of, in general, 40 years on buildings, 20 years on land improvements, 3 to 10 years on machinery and equipment, and up to 5 years on rental equipment. Intangible

assets are amortized over a maximum period of 5 years. See B above for amortization of goodwill. Amortisation and depreciation is included in Cost of Sales and in the respective functional operating expenses.

G Inventories

Inventories are valued at the lower of cost or market on a first-in, first-out (fifo) basis. Consideration has been given to risks of obsolescence.

H Receivables

Receivables are reported at anticipated realizable value.

Sales of trade receivables and customer financing accounts are reflected as a reduction of receivables in the accompanying Balance Sheets and the proceeds received are included in cash flows from operating activities in the accompanying Statements of Cash Flows.

For sale of receivables with recourse a provision has been recorded for the estimated value of the recourse liability. The excess of the recourse obligation over the recorded liability is included in contingent liabilities.

I Revenue recognition

Sales revenue is recorded upon delivery of products, software and services according to contractual terms and represent amounts realized, excluding value-added tax, and are net of goods returned, trade discounts and allowances.

Revenue from construction-type contracts is recognized proportionally with the progress. The stage of completion is based on the value of the parts delivered in proportion to the total contract value. If costs required to complete such contracts are estimated to exceed remaining revenues, provisions are made for estimated losses.

Customer contracts include a high degree of integration between different products, software and services, and are often a mix of construction-type contracts and normal delivery contracts. A disclosure in accordance with RR10, §39a, and RR11, §35b, regarding the amounts for different categories of revenue is considered misleading and is not calculated by the Company.

For sales between consolidated companies, the same pricing is applied as a rule as in transactions with other customers, taking into account, however, that certain costs do not arise in transactions between affiliated companies.

J Research and development costs

Research and development costs are expensed as incurred. Costs based on orders from customers are included in Cost of sales.

K Leasing

Financial leasing contracts are capitalized and reported as tangible assets and as other current liabilities and other long-term liabilities.

L Deferred tax

The Group and, as from 2001, also the Parent company report deferred taxes attributable to temporary differences between the book value of assets and liabilities and their tax value, and also deferred tax receivables attributable to unutilized loss carryforwards to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

Appropriations and Untaxed reserves are not reported in the consolidated financial statements. Such items reported by consolidated companies have been reversed, applying the current tax rate applicable in each country. The deferred tax so calculated is shown in the consolidated income statement as Deferred taxes. The after-tax effect is stated in the income statement as part of net income for the year, and in the balance sheet as restricted stockholders' equity.

Deferred tax assets and liabilities are, in deviation from the Swedish Financial Accounting Standards Council's recommendation RR09, reported as current and long-term in the Balance Sheet, since the Company considers that this method gives a fairer view of the Company's position.

The accumulated deferred tax liability is adjusted each year by applying the current tax rate in each country and is reported in the consolidated balance sheet as Deferred tax. An adjustment of deferred tax liability attributable to changes in tax rates is shown in the consolidated income statement as a part of the deferred tax expense for the period.

Deferred tax assets on internal profit in inventory are calculated to reflect the tax effect in the periods in which the temporary differences are expected to reverse.

M Statement of Cash Flows

Foreign subsidiaries' transactions are translated at the average exchange rate during the period. Subsidiaries purchased and/or sold, net of cash acquired/sold, are reported as cash flow from investment activities and do not affect reported cash flow from operations.

In preparation of the Statement of Cash Flows, changes in deferred tax assets and liabilities have been taken into account. Cash and cash equivalents consist of cash, bank and short-term investments due within 12 months.

N Employee stock options

Compensation costs of providing shares or rights to shares are charged to the income statement over the vesting period.

The compensation cost is the difference between the market price of the share at grant date and the price to be paid by the employee.

When the options are exercised, in certain countries, social security charges are to be paid on the value of the employee benefit. During the vesting period, preliminary social security charges are accrued. These are reduced by income from related hedging arrangements.

O Earnings per share

Basic earnings per share are calculated by dividing net income by the average number of shares outstanding during the year.

Diluted earnings per share are calculated by dividing adjusted net income by the sum of the average number of shares outstanding plus all additional shares that would have been outstanding if all convertible debentures were converted and stock options were exercised (potential ordinary shares). Net income is adjusted by reversal of interest expense for convertible debentures net of tax.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares decrease net profit per share.

P Changes in accounting principles in 2002

The Swedish Financial Accounting Standards Council (Redovisningsrådet) has issued the following recommendations, which will be adopted by the Company in 2002:

- Business Combination (RR1:00)
- Intangible assets (RR15)
- Provisions, contingent liabilities and contingent assets (RR16)
- Impairment of assets (RR17)
- Discontinuing operations (RR19)
- Borrowing costs (RR21)
- Related party disclosure (RR23)

RR15 is expected to have a material positive effect on income for 2002.

Presentation of financial statements (RR22) will be adopted from January 1, 2003.

Q Operations on commission basis reported in the Parent company

Ericsson Treasury Services AB and Ericsson Credit AB conducted their operations on commission basis for the Parent company as in 2000.

The commission agreement between Ericsson Telecom AB and the Parent company, signed in 1987, was cancelled as per January 1, 2000. Therefore, the company is not included in the Parent company accounts for 2000 and 2001.

1 Net sales by market area and business segment

MARKET AREAS			
Consolidated	2001	2000	1999
Western Europe*	71,105	100,234	85,329
Central and Eastern Europe, Middle East & Africa	35,867	37,701	29,736
North America	31,379	35,193	25,175
Latin America	34,516	44,118	30,263
Asia Pacific	58,972	56,323	44,900
Total	231,839	273,569	215,403
* Of which Sweden	7,341	8,732	7,551
* Of which EU	66,561	94,293	80,345

Parent company	2001	2000	1999
Western Europe*	-	18	7,832
Central and Eastern Europe, Middle East & Africa	1,143	1,037	3,075
North America	-	-	273
Latin America	231	107	2,036
Asia Pacific	-	33	2,159
Total	1,374	1,195	15,375
* Of which Sweden	-	-	2,346
* Of which EU	-	-	8,047

BUSINESS SEGMENTS

Consolidated	2001	2000
Systems	187,777	194,747
of which Mobile Systems	154,343	158,083
Multiservice Networks	33,434	36,664
Phones	23,567	56,279
Other operations	30,816	35,927
Less: Inter segment sales	-10,321	-13,384
Total	231,839	273,569

Parent company sales are mainly related to business segment Systems.

2 Other operating revenues

Consolidated	2001	2000	1999
Gains on sales of intangible and tangible assets	1,962	2,107	307
Losses on sales of intangible and tangible assets	-1,317	-731	-244
Gains on sales of investments and operations	5,830	24,133	1,733
Losses on sales of investments and operations	-349	-231	-397
Sub-total	6,126	25,278	1,399
Commissions, license fees and other operating revenues	2,081	2,374	825
Total	8,207	27,652	2,224

Parent company	2001	2000	1999
Commissions, license fees and other operating revenues	3,068	3,128	3,210
Net losses (-) on sales of tangible assets	-2	-67	-55
Total	3,066	3,061	3,155

3 Financial income and expenses

Consolidated	2001	2000	1999
Financial Income			
Result from securities and receivables accounted for as fixed assets	1,605	1,624	1,426
Other interest income and similar profit/loss items	2,138	1,305	847
Total	3,743	2,929	2,273
Financial Expenses			
Interest expenses and similar profit/loss items	5,782	4,449	2,971
Financial Net	-2,039	-1,520	-698

Swedish companies' interest expenses on pension liabilities are included in the interest expenses shown above.

Parent company	2001	2000	1999
Financial Income			
Result from participations in subsidiaries			
Dividends*	14,442	6,531	7,750
Net gains on sales	7	228	-
Result from participations in associated companies			
Dividends	23	125	122
Net gains/losses (-) on sales	-6	1,925	123
Result from other securities and receivables accounted for as fixed assets			
Dividends	-	2	2
Net gains on sales	37	182	-
Other interest income and similar profit/loss items			
Subsidiaries	3,674	2,253	1,365
Other**	1,047	1,106	553
Total	19,224	12,352	9,915

* Anticipated dividends amount to SEK 3,700 m. in 2001, SEK 3,800 m. in 2000 and SEK 3,900 m. in 1999.

** Of the total amount, SEK -978 m. in 2001, SEK -596 m. in 2000, and SEK -4 m. in 1999 is attributable to hedge of net investments in foreign subsidiaries.

Parent company	2001	2000	1999
Financial Expenses			
Losses on sales of participations in subsidiaries	5	-	109
Write-down of investments in subsidiaries	19,000	-	-
Losses on sales of participations in associated companies	12	-	-
Interest expenses and similar profit/loss items			
Subsidiaries	2,080	1,619	887
Other	2,536	1,452	1,197
Other financial expenses	12	19	9
Total	23,645	3,090	2,202
Financial Net	-4,421	9,262	7,713

Parent company's interest expenses on pension liabilities are included in the interest expenses shown above.

4 Income taxes for the year

INCOME STATEMENT

The following items are included in Income taxes for the year:

	Consolidated		Parent company	
	2001	2000	2001	2000
Current income taxes for the year	-5,033	-8,927	-241	-671
Current income taxes related to prior years	216	-33	22	-
Deferred income/expense (-) taxes related to temporary differences	13,742	1,061	612	-113
Share of taxes in joint ventures and associated companies	-112	-99	-	-
Income taxes for the year	8,813	-7,998	393	-784

Deferred tax income and expenses

The amounts of deferred tax income and expenses are shown in the following table.

	Consolidated		Parent company	
	2001	2000	2001	2000
Deferred tax income*	17,429	5,288	612	15
Deferred tax expenses*	-3,687	-4,227	-	-128
Deferred taxes income/expense, net	13,742	1,061	612	-113

* Related to temporary differences

Consolidated

Deferred income tax refer to tax losses carryforwards by SEK 7,986 m. (388) and to certain provisions for restructuring, off-balance sheet customer financing, warranty commitments and allowances for doubtful receivables.

Deferred tax expenses refer to reversal of temporary differences regarding certain opening provisions for restructuring and warranty commitments.

Parent company

Deferred income tax refer to provisions for customer financing commitments and certain pension obligations.

A reconciliation between actual tax income (- expense) for the year and the theoretical tax income (- expense) that would arise when applying the tax rate in Sweden, 28 percent of Income before taxes, shows as follows:

	Consolidated		Parent company	
	2001	2000	2001	2000
Income before taxes	-30,309	28,692	-5,139	9,804
Tax rate in Sweden (28%)	8,487	-8,033	1,439	-2,745
Effect of foreign tax rates	986	-730	-	-
Current income taxes related to of prior years	216	-33	22	-
Tax effect of expenses that are non-deductible for tax purpose	-864	-1,506	-220	-136
Tax effect of income that are non-taxable for tax purpose	260	2,395	4,472	2,097
Tax effect of changes in tax rates	83	-	-	-
Tax effect related to write-downs of investments in subsidiaries	-	-	-5,320	-
Tax effect of tax losses carryforwards, net	-123	233	-	-
Income taxes for the year	9,045*	-7,674*	393	-784

* Of which minority interest in taxes -232 (-324).

The Consolidated effective tax rate is 30 (27) percent. In the Parent company the effective tax rate is 8 (8) percent.

Consolidated

Tax effect of expenses that are non-deductible refer to depreciation of goodwill and other non-deductible expenses.

Tax effect of income that are non-taxable refer mainly to capital gains.

Parent company

Tax effect of expenses that are non-deductible refer mainly to option expenses, tax on dividend and foreign income.

Tax effect of income that are non-taxable refer mainly to dividends.

BALANCE SHEET

Deferred tax assets and liabilities

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

	Consolidated		Parent company	
	2001	2000	2001	2000
Deferred tax assets, current	11,321	6,533	771	469
Deferred tax assets, long-term	9,591	1,034	858	548
Deferred tax liabilities, current	216	770	-	-
Deferred tax liabilities, long-term	1,662	2,311	-	-

Consolidated

Deferred tax assets refer to tax losses carryforwards and certain provisions for restructuring, off-balance sheet customer financing, warranty commitments and allowances for doubtful receivables. Deferred tax assets regarding tax losses carryforwards amount to SEK 8,525 m. (515) of which SEK 335 m. (306) is reported as current and SEK 8,190 m. (209) is reported as long-term.

Deferred tax liabilities refer mainly to untaxed reserves.

Parent company

Deferred tax assets refer mainly to provisions for customer financing commitments and certain pension obligations.

Investments in subsidiaries, joint ventures and associated companies

Due to losses in certain subsidiaries the book value of certain investment in subsidiaries, joint ventures and associated companies are less than the tax value of these investments. However, since deferred tax assets have been reported with respect to losses in these companies and the uncertainty as to which deductions can be realized in the future, with respect to the above differences between book and tax value, these amounts are not reported.

Tax losses carryforwards

Deferred tax assets regarding not utilized losses carryforwards are reported to the extent that realization of the related tax benefit through the future taxable profits is probable also when considering the period during which these can be utilized as described below.

At December 31 2001 these unutilized losses carryforwards, essentially all reflected as an asset, amounted to MSEK 27,613.

The final years in which these losses carryforwards can be utilized are shown in the following table:

Year of expiration	2001
2002	500
2003	133
2004	36
2005	214
2006	716
2007 or later	26,014
Total	27,613

The Parent company has no unutilized loss carryforwards.

Tax effects reported directly to stockholders' equity

Tax effects reported directly to stockholders' equity regarding equity hedge amount to SEK 233 m. (140).

5 Earnings per share

Consolidated	2001	2000	1999
Earnings per share, basic			
Net income	-21,264	21,018	12,130
Average number of shares outstanding (millions)	7,909	7,869	7,817
	-2.69	2.67	1.55
Earnings per share, diluted			
Net income	-21,264	21,018	12,130
Interest expenses on convertible debentures, net of income taxes	176	207	185
Net income after full conversion	-21,088	21,225	12,315
Average number of shares after full conversion and exercise of stock options (millions)	7,988	8,004	7,987
	*	2.65	1.54

* Not applicable: Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

6 Intangible assets

Consolidated	Licenses, trademarks and similar rights	Patents and acquired research and development	Goodwill	Total
Accumulated acquisition costs				
Opening balance	1,410	1,232	14,300	16,942
Acquisitions	207	83	473	763
Balances regarding acquired and sold companies	-30	-	-	-30
Sales/disposals	-120	-	-32	-152
Translation difference for the year	99	23	999	1,121
Closing balance	1,566	1,338	15,740	18,644
Accumulated depreciation				
Opening balance	-1,213	-477	-2,419	-4,109
Depreciation for the year	-156	-95	-1,123	-1,374
Balances regarding acquired and sold companies	22	-	-	22
Sales/disposals	92	-	7	99
Translation difference for the year	-81	-11	-124	-216
Closing balance	-1,336	-583	-3,659	-5,578
Net carrying value	230	755	12,081	13,066

Parent company	Patents, licenses, trademarks and similar rights
Accumulated acquisition costs	
Opening balance	111
Acquisitions	105
Closing balance	216
Accumulated depreciation	
Opening balance	-78
Depreciation for the year	-27
Closing balance	-105
Net carrying value	111

7 Tangible assets

Consolidated	Land and buildings	Machinery	Other equipment	Construction in process and advance payments	Total
Accumulated acquisition costs					
Opening balance	6,262	19,194	27,676	1,569	54,701
Acquisitions	341	3,299	2,487	2,179	8,306
Balances regarding acquired and sold companies	-3	-84	-254	-22	-363
Sales/disposals	-4,709	-8,711	-7,840	-182	-21,442
Reclassifications	579	882	1,428	-2,889	-
Translation difference for the year	579	668	1,232	42	2,521
Closing balance	3,049	15,248	24,729	697	43,723
Accumulated depreciation					
Opening balance	-1,609	-13,555	-17,405	-	-32,569
Depreciation for the year	-314	-1,408	-4,685	-	-6,407
Balances regarding acquired and sold companies	3	56	94	-	153
Sales/disposals	1,051	5,191	6,377	-	12,619
Reclassifications	-	-87	87	-	-
Translation difference for the year	-283	-396	-803	-	-1,482
Closing balance	-1,152	-10,199	-16,335	-	-27,686
Accumulated revaluations, net					
Opening balance	243	-	3	-	246
Depreciation for the year	-	-	-	-	-
Sales/disposals	-212	-	-3	-	-215
Translation difference for the year	7	-	-	-	7
Closing balance	38	-	-	-	38
Net carrying value	1,935	5,049	8,394	697	16,075
Parent company					
Accumulated acquisition costs					
Opening balance	23	167	130	-	320
Acquisitions	-	-	20	-	20
Sales/disposals	-	-155	-46	-	-201
Closing balance	23	12	104	-	139
Accumulated depreciation					
Opening balance	-	-156	-68	-	-224
Depreciation for the year	-	-1	-28	-	-29
Sales/disposals	-	146	29	-	175
Closing balance	-	-11	-67	-	-78
Net carrying value	23	1	37	-	61

8 Financial assets

EQUITY IN JOINT VENTURES AND ASSOCIATED COMPANIES

Consolidated	Joint ventures	Associated companies	Total
Opening balance	–	2,790	2,790
Share in earnings	–702	–19	–721
Taxes	60	–172	–112
Translation difference for the year	–135	71	–64
Dividends	–	–29	–29
Acquisitions	2,752	61	2,813
Sales	–	–180	–180
Closing balance	1,975	2,522	4,497

Goodwill, net, amounts to SEK 19 m. (76) of the investments. Dividends received from companies accounted for under the equity method were SEK 138 m. in 2000 and SEK 131 m. in 1999.

Share of assets, liabilities and income in joint ventures

Consolidated	
Fixed assets	623
Current assets	5,659
Provisions	318
Long-term liabilities	–
Current liabilities	3,989
Net assets	1,975
Net sales	4,840
Income before taxes	–702
Net income	–642
Assets pledged as collateral	15
Contingent liabilities	112

The associated finance companies, AB LM Ericsson Finans and Ericsson Project Finance AB, are accounted for in accordance with the equity method. The companies' total assets amount to SEK 14.2 b. and are financed by the Company at SEK 4.0 b. and by external financing at SEK 9.0 b. In Ericsson Project Finance AB, external loans of SEK 5.7 b. are financing customer credits of the same amount. Ericsson has, through a guarantee assumed a first loss risk of SEK 2.9 b., remaining risk, SEK 2.8 b., is carried by the creditors. Ericsson's guarantees of loans of the above associated companies are included in contingent liabilities.

Parent company	Sub-sidiaries	Joint ventures	Associated companies	Other investments
Investments				
Opening balance	35,353	–	1,008	84
Acquisitions and stock issues	2,503	2,752	1	–
Shareholders' contribution	27,000	–	–	–
Revaluations for the year	–	–	–	2
Write-downs	–19,000	–	–	–
Reclassifications	–	–	–10	10
Sales	–1,373	–	–26	–42
Closing balance	44,483	2,752	973	54

OTHER FINANCIAL ASSETS

Consolidated	Other investments	Long-term customer financing	Other long-term financial assets
Accumulated acquisition costs			
Opening balance	2,975	8,426	3,744
Acquisitions/credits granted	973	1,564	11,968
Sales/repayments	–387	–3,929	–2,054
Translation difference for the year	168	126	242
Closing balance	3,729	6,187	13,900
Accumulated revaluations			
Opening balance	30	–	–
Revaluations for the year	–	–	–
Sales/repayments	–30	–	–
Translation difference for the year	–	–	–
Closing balance	–	–	–
Accumulated write-downs ¹			
Opening balance	–521	–2,062	–87
Write-downs for the year	–45	–1,422	–79
Sales/repayments	–3	1,556	10
Translation difference for the year	–60	–34	–5
Closing balance	–629	–1,962	–161
Net carrying value	3,100 ²	4,225	13,739 ³

¹ Write-downs are included in Selling expenses due to the close relation to operations.

² Market value per December 31, 2001 for listed shares was SEK 587 m. with a net carrying value of SEK 332 m.

³ Of which deferred tax assets SEK 9,591 m. (1,034).

Parent company	Long-term customer financing	Other long-term financial assets
Accumulated acquisition costs		
Opening balance	7,455	1,918 *
Acquisitions/credits granted	1,248	1,237
Sales/repayments	–5,901	–627
Long term deferred tax receivables	–	858
Translation/revaluation difference for the year	–	–467
Closing balance	2,802	2,919
Accumulated write-downs		
Opening balance	–1,136	–
Write-downs for the year	–465	–
Sales/repayments	693	–
Closing balance	–908	–
Net carrying value	1,894	2,919

* Opening balance is adjusted according to RR9 – Income taxes. See Accounting Principles and Notes.

9 Investments

The following listing shows certain shareholdings owned directly and indirectly by the Parent company. A complete listing of shareholdings,

prepared in accordance with the Swedish Annual Accounts Act and filed with the Swedish Patent and Registration Office, may be obtained upon request to: Telefonaktiebolaget LM Ericsson, Corporate Financial Reporting and Analysis, SE-126 25 Stockholm, Sweden.

SHARES OWNED DIRECTLY BY THE PARENT COMPANY

Type	Company	Reg. No.	Domicile	Percentage of ownership	Par value in local currency	Carrying value
Subsidiaries						
I	Ericsson Utvecklings AB	556137-8646	Sweden	100	10	17
I	Ericsson Enterprise AB	556090-3212	Sweden	100	360	335
I	Ericsson Microwave Systems AB	556028-1627	Sweden	100	30	151
I	Ericsson Radio Systems AB	556056-6258	Sweden	100	50	636
I	Ericsson Telecom AB	556251-3258	Sweden	100	100	6,520
I	Ericsson Mobile Communications AB	556251-3266	Sweden	100	361	9,716
I	Ericsson Radio Access AB	556250-2046	Sweden	100	20	41
I	Ericsson Sverige AB	556329-5657	Sweden	100	100	100
I	Ericsson Business Innovation AB	556128-5924	Sweden	100	–	801
I	Ericsson Global IT Services AB	556250-9454	Sweden	100	85	252
I	Ericsson Software Technology AB	556212-7398	Sweden	100	1	67
I	EHPT Sweden AB	556577-9799	Sweden	100	100	2,247
I	Ericsson Juniper Networks Mobile IP AB	556606-5438	Sweden	60	–	50
II	SRA Communication AB	556018-0191	Sweden	100	47	145
II	AB Aulis	556030-9899	Sweden	100	14	6
II	LM Ericsson Holding AB	556381-7666	Sweden	100	105	1,122
II	Ericsson Gämsta AB	556381-7609	Sweden	100	162	324
III	Ericsson Treasury Services AB	556329-5673	Sweden	100	1	2
III	Ericsson Credit AB	556326-0552	Sweden	100	5	5
	Other (Sweden)			–	–	661
I	Ericsson Austria AG		Austria	100	60	664
I	LM Ericsson A/S		Denmark	100	90	216
I	Oy LM Ericsson Ab		Finland	100	80	195
II	Ericsson Participations S.A.		France	100	144	485
I	Ericsson GmbH		Germany	100	39	341
I	Ericsson Communications Systems Hungary Ltd.		Hungary	100	1,301	120
II	LM Ericsson Holdings Ltd.		Ireland	100	2	14
III	Ericsson Treasury Ireland Ltd.		Ireland	100	81	3,924
III	Ericsson Financial Services Ireland		Ireland	100	300	2,951
II	Ericsson S.p.A. ⁷		Italy	72	18,421	105
I	Ericsson A/S		Norway	100	156	194
I	Ericsson Corporatio AO		Russia	100	950	4
I	Ericsson AG		Switzerland	100	–	–
II	Ericsson Holding Ltd.		United Kingdom	100	74	757
	Other (Europe, excluding Sweden)			–	–	64
II	Ericsson Holding II Inc.		United States	88 ¹	–	9,508
I	Cía Ericsson S.A.C.I.		Argentina	100	5	10
I	Teleindustria Ericsson S.A.		Mexico	100	n/a	572
	Other (United States, Latin America)			–	–	133
II	Teleric Pty Ltd.		Australia	100	20	99
I	Beijing Ericsson Mobile Communication Co. Ltd		China	25 ²	5	36
I	Ericsson Ltd.		China	100	2	2
I	Ericsson (China) Company Ltd.		China	100	50	369
I	Nanjing Ericsson Communication Co. Ltd.		China	41 ³	9	61
I	Ericsson Telecommunications Ltd.		Indien	100	725	147
I	Ericsson Telecommunications Sdn. Bhd.		Malaysia	70	2	4
I	Ericsson Telecommunications Pte. Ltd.		Singapore	100	–	1
I	Ericsson Taiwan Ltd.		Taiwan	80	240	19
I	Ericsson (Thailand) Ltd.		Thailand	49 ⁴	15	4
	Other countries			–	–	286
				Total	–	44,483
Joint ventures and associated companies						
I	Sony Ericsson Mobile Communications AB	556615-6658	Sweden	50	50	2,752
III	AB LM Ericsson Finans	556008-8550	Sweden	90 ⁵	29	41
III	Ericsson Project Finance AB	556058-5936	Sweden	91 ⁶	425	510
I	Ericsson Nikola Tesla		Croatia	49	196	330
	Other			–	–	92
				Total	–	3,725

9 Investments continued**SHARES OWNED BY SUBSIDIARIES**

Type	Company	Reg. No.	Domicile	Percentage of ownership
Subsidiaries				
I	Ericsson Network Technologies AB	556000-0365	Sweden	100
I	Ericsson Microelectronics AB	556611-6389	Sweden	100
II	Ericsson Cables Holding AB	556044-9489	Sweden	100
I	Ericsson France S.A.		France	100
I	LM Ericsson Ltd.		Ireland	100
I	Ericsson Telecomunicazioni S.p.A.		Italy	72
II	Ericsson Holding International B.V.		The Netherlands	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	Ericsson Ltd.		United Kingdom	100
I	Ericsson Mobile Communications (U.K.) Ltd.		United Kingdom	100
I	Ericsson Canada Inc.		Canada	100
I	Advanced Computer Communications Inc.		USA	100
I	Ericsson Inc.		USA	100
I	Ericsson NetQual Inc.		USA	100
I	Ericsson WebCom Inc.		USA	100
I	Ericsson Wireless Communication Inc.		USA	100
I	Ericsson IP Infrastructure Inc.		USA	100
I	Ericsson Amplifier Technologies Inc.		USA	100
I	Ericsson Telekomunikasyon A.S.		Turkey	100
I	Ericsson Telecomunicações S.A.		Brazil	98
I	Ericsson Servicos de Telecomunicações Ltda		Brazil	98
I	Ericsson Telecom S.A. de C.V.		Mexico	100
I	Nippon Ericsson K.K.		Japan	90
I	Ericsson Mobile Communications Sdn Bhd		Malaysia	100
I	Ericsson Consumer Products Asia Pacific Pte Ltd.		Singapore	100
I	Ericsson Australia Pty. Ltd.		Australia	100
Associated Companies				
I	Symbian Ltd.		United Kingdom	21

Key to type of company

- I Manufacturing, distributing and development companies
 II Holding companies
 III Finance companies

- 1 Through subsidiary holdings, total holdings amount to 100% of Ericsson Holding II Inc.
 2 Through subsidiary holdings, total holdings amount to 49% of Beijing Ericsson Mobile Communications Co. Ltd., but the voting power is in excess of 50%.
 3 Through subsidiary holdings, total holdings amount to 51% of Nanjing Ericsson Communication Co. Ltd.
 4 Through subsidiary holdings, total holdings amount to 100% of Ericsson (Thailand) Ltd.
 5 Voting power is 40%.
 6 Voting power is 49%.
 7 The subsidiary, Ericsson S.p.A., is listed on the Milan stock exchange in Italy. Ericsson's share of the market value as per December 31, 2001, was SEK 4,706 m.

10 Inventories

	2001	Consolidated 2000	2001	Parent company 2000
Raw material, components and consumables	9,185	19,907	1	1
Manufacturing work in process	1,224	3,723	–	–
Finished products and goods for resale	5,728	4,499	3	2
Contract work in process	13,653	17,771	5	9
Less advances from customers	–4,880	–1,967	–7	–9
Inventories, net	24,910	43,933	2	3

11 Accounts receivable – trade

	Consolidated		Parent company	
	2001	2000	2001	2000
Notes and accounts receivable	56,404	74,591	753	–
Receivables from associated companies	1,034	382	52	102
Total	57,438	74,973	805	102

Allowances for doubtful accounts amounting to SEK 2,655 m. (2,014) and SEK 276 m. (275) in the Parent company, which has reduced the amounts shown above, include amounts for estimated losses based on commercial risk evaluations.

Retention receivables, recognised as revenue was SEK 6,924 m. at December 31, 2001.

12 Receivables and payables – subsidiaries

Parent company	2001	2000
Long-Term Receivables*		
Financial receivables	29,673	22,682
Current Receivables		
Commercial receivables	2,218	1,548
Financial receivables	52,277	34,209
Total	54,495	35,757
Long-Term Liabilities*		
Financial liabilities	45,574	13,345
Current Liabilities		
Commercial liabilities	381	648
Financial liabilities	56,995	44,712
Total	57,376	45,360

* Including non-interest bearing receivables and liabilities, net, amounting to SEK –17,212 m. (6,224). Interest-free transactions involving current receivables and liabilities may also arise at times.

13 Other receivables

	Consolidated		Parent company	
	2001	2000	2001	2000
Receivables from associated companies	2,586	3,083	2,564	2,163
Prepaid expenses	3,389	4,790	716	404
Accrued revenues	5,824	5,124	598	437
Advance payments to suppliers	603	1,440	–	–
Deferred tax assets	11,321	6,533	771	469
Other	18,270	23,059	5,588	6,644
Total	41,993	44,029	10,237	10,117

14 Stockholders' equity

Capital stock

Capital stock at December 31, 2001, consisted of the following:

	Number of shares outstanding	Aggregate par value
A shares (par value SEK 1.00)	656,218,640	656
B shares (par value SEK 1.00)	7,409,285,367	7,410
	8,065,504,007	8,066

The capital stock of the Company is divided into two classes: Class A shares (par value SEK 1.00) and Class B shares (par value SEK 1.00). 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 thousandth of one vote per share.

During the year 155,000,000 of the above stated Ericsson B shares have been repurchased by the Parent company. The total number of treasury stock at December 31, 2001 is 156,804,000.

Reserves not available for distribution

In accordance with statutory requirements in Sweden and certain other countries in which the Company is operating, restricted reserves, not available for distribution, are reported.

According to the Swedish Annual Accounts Act, tangible and financial assets were revalued in previous years, provided they had a reliable and lasting value significantly greater than book value. Revaluation amounts must either be used for stock issue/stock split or be appropriated to a revaluation reserve. When assets are sold or discarded, the revaluation reserve is reduced correspondingly.

Cumulative translation adjustments

Opening balance	–140
Changes in cumulative translation adjustments	2,110
Closing balance	1,970

Changes in cumulative translation adjustments include changes regarding recalculation of goodwill in local currency, SEK 996 m. (SEK 779 m), net gain/loss (–) from hedging of investments in foreign subsidiaries, SEK –600 m. (SEK –360 m.) and SEK 5 m. (SEK 9 m.) from sold/liquidated companies.

Currency gains/losses resulting from translation of financial statements of integrated companies are included in the following items in the consolidated Income statement:

	2001	2000
Cost of sales	134	165
Financial income	28	–41
Taxes	9	1
Total	171	125

14 Stockholders' equity continued**Changes in stockholders' equity**

Consolidated	Capital stock	Equity proportion reserve	Other restricted reserves	Total restricted equity	Non-restricted equity	Total
Opening balance	7,910	1,402	31,198	40,510	51,176	91,686
Stock issue	155	–	–	155	–	155
Repurchase of own stock	–	–	–	–	–156	–156
Conversion of debentures	1	–	10	11	–	11
Capital discount	–	–	–1	–1	–	–1
Dividends paid	–	–	–	–	–3,954	–3,954
Transfer between non-restricted and restricted reserves	–	–102	–5,024	–5,126	5,126	–
Changes in cumulative translation adjustments	–	–	2,110	2,110	–	2,110
Net income 2001	–	–	–	–	–21,264	–21,264
Closing balance	8,066	1,300	28,293	37,659	30,928	68,587

Of retained earnings, SEK 52 m. will be appropriated to reserves not available for distribution, in accordance with the proposals of the respective companies' boards of directors. In evaluating the consolidated financial position, it should be noted that earnings in foreign companies may be subject to taxation when transferred to Sweden and that, in some instances, such transfers of earnings may be limited by currency restrictions. Consolidated unrestricted retained earnings are translated at the year-end exchange rate. Cumulative translation adjustments have been distributed among unrestricted and restricted stockholders' equity.

Parent company	Capital stock	Share premium reserve¹	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Other retained earnings	Non-restricted equity	Total
Opening balance according to adopted balance sheet for last year	7,910	3,685	20	6,741	18,356	100	21,028	21,128	39,484
Adjustment due to change in accounting principles	–	–	–	–	–	–	1,017 ²	1,017	1,017
Opening balance adjusted to RR9	7,910	3,685	20	6,741	18,356	100	22,045	22,145	40,501
Stock issue	155	–	–	–	155	–	–	–	155
Repurchase of own stock	–	–	–	–	–	–	–156	–156	–156
Conversion of debentures	1	10	–	–	11	–	–	–	11
Capital discount	–	–1	–	–	–1	–	–	–	–1
Dividends paid	–	–	–	–	–	–	–3,954	–3,954	–3,954
Net income 2001	–	–	–	–	–	–	–4,746	–4,746	–4,746
Closing balance	8,066	3,694	20	6,741	18,521	100	13,189	13,289	31,810

¹ 1996 and prior years' share premium is included in Statutory reserve.

² Opening balance is adjusted according to RR9 – Income taxes. See Accounting Principles and Notes.

In the Income statement for 2000 Income taxes for the year has increased by SEK 113 m. to SEK 784 m. In the Balance sheet for 2000 Other long-term receivables have increased by SEK 548 m. to SEK 1,918 m. and Other short-term receivables have increased by SEK 469 m. to SEK 10,117 m.

15 Untaxed reserves

Parent company	Jan. 1	Appropriations/ withdrawals(–)	Dec. 31
Accumulated depreciation in excess of plan			
Intangible assets	11	16	27
Tangible assets	38	–20	18
Total accumulated depreciation in excess of plan	49	–4	45
Other Untaxed Reserves			
Reserve for doubtful receivables	3,020	247	3,267
Income deferral reserve	2,193	–1,419	774
Total other untaxed reserves	5,213	–1,172	4,041
Total Untaxed Reserves	5,262	–1,176	4,086

Changes in other untaxed reserves in the Parent company in 2000 consist of the following: withdrawal of tax equalization reserve, SEK 127 m. (127 in 1999); appropriations to reserve for doubtful receivables, SEK 389 m. (–2,289 in 1999) and allocation to income deferral reserve SEK 446 m. (529 in 1999). Deferred tax liability, not accounted for, on untaxed reserves, amounts to SEK 1,144 m. in 2001, SEK 1,473 m. 2000 and SEK 1,514 m. 1999.

16 Provisions

	Consolidated		Parent company	
	2001	2000	2001	2000
Pensions and similar commitments	10,104	9,318	889	943
Deferred taxes	1,878	3,080	–	–
Warranty commitments	4,435	4,432	–	–
Restructuring	7,075	3,378	47	–
Other provisions	10,679	7,442	4,119	1,890
Total	34,171	27,650	5,055	2,833

The pension liabilities include the Parent company's and other Swedish companies' obligations in the amount of SEK 7,459 m. (7,344) in accordance with an agreement with the Pension Registration Institute (PRI), which are covered by a Swedish law on safeguarding of pension commitments. The Parent company's pension liabilities include an obligation in the amount of SEK 532 m. (634) in accordance with an agreement with PRI.

Other provisions include amounts for risks regarding off-balance sheet customer financing, patent disputes and changes in technique and markets.

17 Long-term liabilities

	Consolidated		Parent company	
	2001	2000	2001	2000
Notes and bond loans (maturing 2003 – 2009)	41,656	15,884	41,656	15,884
Convertible debentures (maturing 2003)	4,437	4,346	4,437	4,346
Liabilities to financial institutions	5,154	1,320	272	322
Liabilities to subsidiaries	–	–	45,574	13,345
Other	887	744	128	37
Total	52,134	22,294	92,067	33,934

Long-term liabilities maturing more than five years after the balance sheet date:

	Consolidated 2001	Parent company 2001
Notes and bond loans and liabilities to financial institutions	9,274	8,873
Other	452	–
Total	9,726	8,873

Of the long-term loans, SEK 22,181 m. (bond issues of EUR 2,000 m. and GBP 224 m.) have interest rates linked to the company's credit rating. The interest rate will increase/decrease 0.25 percent per annum for each rating notch per rating agency (Standard & Poor's and Moody's) by which either or both have publicly announced a rating decrease/increase of the company's credit rating below BBB+/Baa1. The interest rate applicable to these bond issues can not be less than the initial interest rate in the loan agreement.

The Parent company has one convertible debenture loan outstanding. The loan, in the amount of SEK 6,000 m., was issued in 1997. Of the total amount, convertible debentures amounting to SEK 4,859 m. were sold to Ericsson employees, and SEK 1,141 m. were sold to the wholly owned subsidiary AB Aulis in 2000 and in the same year debentures were sold externally. The debentures which carry an interest defined as 12 months STIBOR¹ less 1.5 percent, are convertible to B shares from November 19, 1999, up to and including May 30, 2003. After the stock dividend and split in 2000, the conversion price is SEK 59 per share.

¹ Stockholm Inter Bank Offered Rate

In the 1997 consolidated accounts, a capital discount amounting to SEK 816 m. was calculated, based on a market interest rate of 6.87 percent. The capital discount was credited to the Statutory reserve as an addition to capital in the consolidated financial statements as well as in the Parent company (Share premium reserve) in accordance with the Swedish Financial Accounting Standards Council's recommendation RR03. The capital discount is charged to income as interest expense during the period of the loan.

During 2001, debentures in the amount of SEK 10 m. were converted to 168,395 B shares. A conversion of all outstanding debentures would increase the number of shares with 76,454,504. During the period of January 1 through January 22, 2002 no additional conversions were made.

18 Current liabilities to financial institutions and unused lines of credit

Liabilities to financial institutions consist of bank overdrafts, bank loans and other short-term financial loans. Unused portions of short-term lines of credit for the Company amounted to SEK 11,025 m. of which the Parent company SEK 4,456 m. In addition, the Parent company had unused long-term lines of credit amounting to SEK 17,005 m. and unutilized commercial paper- and medium term note programs amounting to SEK 38,572 m. Of total unused lines of credit of SEK 28,030 m., SEK 10,124 m. had conditions linked to the Group's credit rating.

19 Other current liabilities

	Consolidated		Parent company	
	2001	2000	2001	2000
Liabilities to associated companies	1,077	277	256	257
Accrued expenses	32,156	33,854	1,876	716
Prepaid revenues	1,173	842	469	–
Other short term liabilities	10,703	13,387	2,190	2,806
Total	45,109	48,360	4,791	3,779

20 Assets pledged as collateral

Consolidated	Liabilities to financial institutions	Advances from customers	Total 2001	Total 2000
	Real estate mortgages	–	60	60
Chattel mortgage	1	–	1	–
Bank deposits	1,281	–	1,281	313
Other	1,273	–	1,273	98
Total	2,555	60	2,615	435

Parent company	Liabilities to financial institutions	Advances from customers	Total 2001	Total 2000
	Bank deposits	1,281	–	1,281
Other	212	–	212	24
Total	1,493	–	1,493	322

At December 31, 2001, the Parent company had no pledged assets in favor of subsidiaries. However, under certain conditions, it may pledge collateral for certain subsidiaries' pension obligations.

21 Contingent liabilities

	Consolidated		Parent company	
	2001	2000	2001	2000
Guarantees for customer financing for accounts receivable	13,904	7,551	13,854	5,802
	–	1,607	–	–
Other contingent liabilities	1,679	2,026	9,743	7,604
Total	15,583	11,184	23,597	13,406

Of the guarantees assumed by the Parent company, SEK 9,529 m. in 2001 and SEK 6,608 m. in 2000 are related to subsidiaries.

22 Statement of Cash Flows**Consolidated**

Interest paid in 2001 was SEK 3,374 m. (3,416) and interest received was SEK 2,850 m. (2,959). Income taxes paid were SEK 4,873 m. (5,780).

Non-cash transaction under "Cash flow from operating activities" not reported separately is current year increase in pension liabilities of SEK 786 m. (SEK 920 m. in 2000 and SEK 342 m. in 1999).

Acquisitions/sales of other investments

Consolidated	2001
Purchase price for acquired subsidiaries	–
Other acquisitions	–3,998
Sales	9,320
Acquisitions/sales, net	5,322

"Cash flow from investing activities" includes the following major items:

Consolidated	2001
Investment in Sony Ericsson joint venture	–2,800
Proceeds from sales of:	
Juniper	5,500
Enterprise distribution	3,400
Real estate	4,700
PC and test equipment	2,100

Parent company

Interest paid in 2001 was SEK 3,323 m. (1,178) and interest received was SEK 5,487 m. (1,854). Income taxes paid were SEK 93 m. (356).

Major non-cash items in Investments are:

Acquisitions/sales of other investments, net in 2001 with SEK 21,603 m., 2000 SEK 5,504 m. and 1999 SEK 26 m.

Specification of net change in cash attributable to cancellation of the commission agreement with Ericsson Telecom AB as of January 1, 2000. The change in cash, amounting to SEK –12 m., is shown in year 2000 as Acquisitions/sales of other investments, net.

Inventories	947
Customer financing, accounts receivable – trade and other operating assets	5,291
Provisions and other operating liabilities	–5,192
Sales of tangible assets	391
Lending, net	–10,897
Proceeds from issuance of other long-term debt	9,456
Investments, other	8
Net change in cash	–12

23 Leasing**LEASING OBLIGATIONS**

Assets under financial leases, recorded as tangible assets, consist of:

Financial leases	2001	2000
Acquisition costs		
Land and buildings	–	193
Machinery	182	26
Other equipment	1,284	410
	1,466	629
Accumulated depreciation		
Land and buildings	–	58
Machinery	24	26
Other equipment	263	184
	287	268
Net carrying value	1,179	361

At December 31, 2001, future payment obligations for leases were distributed as follows:

Consolidated	Financial leases	Operating leases
2002	8,256	3,829
2003	85	3,542
2004	27	2,649
2005	–	2,099
2006	–	1,956
2007 and later	6	9,177
	8,374	23,252

Expenses for the year for leasing of assets were SEK 3,785 m. (SEK 2,984 m. in 2000 and SEK 1,647 m. in 1999), of which variable cost SEK 203 m.

The company sold certain assets relating to test plant equipment for software testing in Sweden and the US for SEK 7,897 m. in December 2001. The assets were leased back from the purchaser over a period of one year. In minimum lease payments a residual value guarantee of SEK 6,753 m. is included for 2002 and interest of SEK 229 m.

This transaction is being accounted for as a financial (capital) lease in the consolidated accounts, which means that no capital gain is reported with the financial lease being reported net of such gain. In the Parent company accounts this transaction is accounted for as an operating lease. The lease contains various options including purchase options at amounts approximating fair market value at any time during the term of the lease. The Company has in January 2002 made a deposit of SEK 5,516 m. to secure certain obligations under the lease.

At December 31, 2001, future payment obligations for leases for the Parent company were distributed as follows:

Parent company	Financial leases	Operating leases
2002	–	9,732
2003	–	1,871
2004	–	1,464
2005	–	1,211
2006	–	1,065
2007 and later	–	5,222
		– 20,565

LEASING INCOME

Some consolidated companies lease equipment, mainly telephone exchanges, to customers. These leasing contracts vary in length from 1 to 8 years.

The acquisition value of assets leased to others under Operating leases amounted to SEK 419 m. at December 31, 2001 (December 31, 2000: SEK 505 m.). Accumulated depreciation amounted to SEK 412 m. and net investments to SEK 7 m. at December 31, 2001 (December 31, 2000: SEK 418 m. and SEK 87 m., respectively).

Net investment in Sales-type leases and Financial leases amounted to SEK 3 m. at December 31, 2001 (December 31, 2000: SEK 14 m.).

Future payments receivable for leased equipment are distributed as follows:

Consolidated	Sales-type and Financial leases	Operating leases
2002	2	5
2003	1	–
2004	1	–
Net investment	4	5

Parent company	Financial leases	Operating leases
2002	–	8,323
2003	–	278
2004	–	34
		– 8,635

The Parent company's operating lease income refers mainly to lease of testplant equipments to subsidiaries.

24 Reconciliation to accounting principles generally accepted in the US

Elements of the Company's accounting principles which differ significantly from generally accepted accounting principles in the United States (US GAAP) are described below:

A Capitalization of software development costs

In accordance with Swedish accounting principles, software development costs are charged against income when incurred. The Company practices US GAAP SFAS 86 "Accounting for the Cost of Computer Software to be Sold, Leased or Otherwise Marketed" and effective 1999, it has adopted SOP 98-1, "Accounting for the costs of Computer Software Developed or Obtained for Internal use". According to SFAS 86, development costs are capitalized after the product involved has reached a certain degree of technological feasibility. Capitalization ceases and amortization begins when the product is ready for its intended use. The company has adopted an amortization period for capitalized software to be sold of three years and for capitalized software for internal use of three to five years.

Development costs for software to be sold	2001	2000	1999
Capitalization	7,091	10,349	7,898
Amortization	–7,661	–6,664	–4,460
Write-downs	–1,214	–	–989
	–1,784	3,685	2,449

Write-downs of previously capitalized software costs amounting to SEK 1,214 m. was made in 2001 as a result of product reviews.

Development costs for software for internal use	2001	2000	1999
Capitalization	993	990	1,463
Amortization	–1,344	–542	–152
	–351	448	1,311

Amortization of previously capitalized software costs amounting to SEK 1,344 was made in 2001 mainly related to old software.

B Capital discount on convertible debentures

In accordance with Swedish accounting principles, the 1997/2003 convertible debenture loan and its nominal interest payments are valued at present value, based on market interest rate. The difference from the nominal amount, the capital discount, is credited directly to equity. (Please refer to Note 17 for details.) In accordance with US GAAP, convertible debenture loans are reported as liabilities at nominal value. When calculating income and equity in accordance with US GAAP, the effects of the capital discount are reversed.

C Restructuring costs

The rules for providing for payroll related expenses are stricter according to US GAAP. For termination benefits, US GAAP requires for a liability to be recognized that prior to the date of the final financial statements, the benefit arrangements be communicated to employees. There is no such requirement under Swedish GAAP.

D Pensions

The Company participates in several pension plans, which in principle cover all employees of its Swedish operations as well as certain employees in foreign subsidiaries. The Swedish plans are administered by an institution jointly established for Swedish industry (PRI) in which most companies in Sweden participate. The level of benefits and actuarial assumptions are established by this institution and, accordingly, the Company may not change these.

Effective 1989, the Company has adopted SFAS 87, Employer's Accounting for Pensions, when calculating income according to US GAAP. The effects for the Company of using this recommendation

principally relate to the actuarial assumptions, and that the calculation of the obligation should reflect future compensation levels. The difference relative to pension liabilities already booked at the introduction in 1989 is distributed over the estimated remaining service period.

E Pension premium refund

In 2000, Alecta (former SPP), a Swedish insurance company, announced a refund of pension premiums paid, of which a portion was refunded during the year. In accordance with Swedish accounting practice, the total refund was credited to income. In accordance with US GAAP, only the amount Alecta actually paid is credited to income.

During 2001 the Company has utilized the major part of the portion not refunded in 2000. In accordance with US GAAP, this amount is credited to income.

F Sale-leaseback of property

During 2000 and 2001, the Company sold property which was leased back to subsidiaries and treated as an operating lease. In Sweden, the gain on sale of property is credited to income, if the rent to be paid is in par with market price. In accordance with US GAAP, the part of the gain exceeding present value of future lease payments is credited to income when occurred. The remaining part is distributed during the lease period.

G Hedge accounting

The Company adopted SFAS 133, Accounting for Derivative Instruments and Hedging Activities on January 2001 for calculating income and equity according to US GAAP. SFAS 133 requires Ericsson to recognise all derivatives as either assets or liabilities measured at fair value. Adoption of SFAS 133 resulted in a cumulative after tax increase in net income of SEK 421 m. and a decrease in other comprehensive income of SEK 1,665 m. in the first quarter of 2001.

Under SFAS 133 for derivatives designed as a cash flow hedge the gain or loss is reported in other comprehensive income and affects net income first when the hedged exposure also affects this income. The ineffective portion of the gain and loss affects net income immediately.

According to Swedish accounting practice forward currency exchange contracts and options, which are hedge of firm commitments as well as budgeted cash flows regarding sales and purchases, are both accounted for as hedges. Consequently, they are valued in a manner reflecting the accounting for the hedged position and are not valued at market.

According to US GAAP valid for 2000 and 1999, contracts and options not related to firm commitments are valued at market.

H Other

In-process research and development

Under US GAAP, acquired technology, including in-process research and development is to be charged to expenses if this technology has not reached technological feasibility and has no alternative use. Under Swedish GAAP, acquired technology is amortized to income over its expected economic life.

Revaluation of assets

Certain tangible assets have been revalued at amounts in excess of cost. Under certain conditions, this procedure is allowed in accordance with Swedish accounting practice. Revaluation of assets in the primary financial statements is not permitted under US GAAP. Depreciation charges relating to such items have been reversed to income.

Capitalization of interest expenses

In accordance with Swedish accounting practice, the Company has expensed interest costs incurred in connection with the financing of expenditures for construction of tangible assets. Such costs are to be capitalized in accordance with US GAAP, and depreciated as the assets concerned. Capitalization amounting to SEK 64 (88) m. has increased income and amortization amounting to SEK 64 (79) m. was charged against income for the period when calculating income in accordance with US GAAP.

I Deferred Income Taxes

Deferred tax is calculated on all US GAAP adjustments to income.

J Adjustment of Net Income

Application of US GAAP as described above would have had the following approximate effects on consolidated net income. It should be noted that, in arriving at the individual items increasing or decreasing reported net income, consideration has been given to the effect of minority interests.

Adjustment of Net Income	2001	2000	1999
Items increasing reported net income			
Pensions	197	-146	-416
Pension premium refund	809	-856	-
Capital discount on convertible debentures	116	147	116
Other	129	371	1,194
Deferred income taxes	2,014	-2,005	-1,251
	3,265	-2,489	-357
Items decreasing reported income			
Capitalization of software development costs to be sold for internal use	-1,784	3,685	2,449
	-351	448	1,311
Sale-leaseback	-815	-1,361	-
Restructuring costs	-1,642	2,700	400
Hedge accounting	-2,233	-608	-694
	-6,825	4,864	3,466
Net increase/decrease in net income	-3,560	2,375	3,109
Net income as reported in the consolidated Income Statement	-21,264	21,018	12,130
Net income per US GAAP before cumulative effect of accounting change	-24,824	23,393	15,239
Earnings per share, before cumulative effect of change of accounting principle	-3.14*	2.65	1.54
Cumulative effect of accounting change, net of taxes	421	-	-
Net income per US GAAP after cumulative effect of accounting change	-24,403	23,395	15,239
Reported earnings per share, diluted	-2.69*	2.65	1.54
Earnings per share per US GAAP, diluted, after cumulative effect of accounting change	-3.09*	2.94	1.92

* Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

K Unrealized gains and losses on securities available-for-sale

In accordance with Swedish accounting principles investments are valued at lower of cost and market. Under US GAAP securities available for sale that have readily determinable fair values shall be measured at fair value in accordance with SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities". Unrealized gains and losses shall be included in other comprehensive income.

L Comprehensive income

The Company has adopted SFAS 130, "Reporting Comprehensive Income". Comprehensive income includes net income and other changes in equity, except those resulting from transactions with owners.

Comprehensive income	2001	2000	1999
Net income in accordance with US GAAP	-24,403	23,393	15,239
Other comprehensive income			
Translation adjustments	2,710	2,326	-2,442
Translation adjustments for sold/liquidated companies	5	9	1
Net gain/loss on cash flow hedges	2,096	-	-
Hedging for investments	-833	-500	53
Unrealized gains and losses on securities available-for-sale	-6,424	-1,847	8,527
Minimum pension liability	-392	25	-47
Deferred income taxes	1,445	657	-2,403
Cumulative effect of accounting change, net (see G)	-1,665	-	-
Total other comprehensive income	-3,058	670	3,689
Comprehensive income in accordance with US GAAP	-27,461	24,063	18,928

Adjustment of Equity

	2001	2000	1999
Increases			
Capitalization of software development costs			
to be sold	15,094	16,878	13,193
for internal use	1,408	1,759	1,311
Unrealized gains and losses on available-for-sale securities	255	6,680	8,527
Pensions	99	300	422
Capitalization of interest, net after cumulative depreciation	211	211	202
Restructuring costs	1,458	3,100	400
	18,525	28,928	24,055

Reductions

Capital discount on convertible debentures	-303	-419	-566
Pension refund	-47	-856	-
Sale-leaseback	-2,176	-1,361	-
Deferred income taxes	-4,487	-8,197	-6,731
Hedging	-2,196	-332	276
Other	-102	-232	-594
	-9,311	11,397	7,615
Adjustment of stockholders' equity, net	9,214	17,531	16,440
Reported stockholders' equity	68,587	91,686	69,176
Equity according to US GAAP	77,801	109,217	85,616

Adjustment of certain balance sheet items according to US GAAP

	As per reported Balance Sheet		As per US GAAP	
	Dec 31 2001	Dec 31 2000	Dec 31 2001	Dec 31 2000
Intangible assets	13,066	12,833	29,481	31,343
Tangible assets	16,075	22,378	16,296	22,475
Other investments	3,100	2,484	3,355	9,164
Accounts receivable	57,438	74,973	57,438	76,580
Other receivables	41,993	44,029	41,946	44,866
Minority interest in equity	3,532	2,764	3,531	2,756
Provisions	34,171	27,650	29,783	18,060
Convertible debentures	4,437	4,346	4,740	4,765
Other current liabilities	45,109	48,360	48,024	48,560

M Statement of Cash Flows

The Company in principle follows SFAS 95 when preparing the Statement of Cash Flows. According to SFAS 95, however, only cash, bank and short-term investments with due dates within 3 months shall be considered cash and cash equivalents, rather than within 12 months. Applying this definition would mean following adjustments of reported cash:

Consolidated, SEK m.	2001	2000	1999	1998
Short-term cash investments, cash and bank, as reported	68,839	35,606	29,008	18,233
Adjustment for items with maturity of 4-12 months	-28,182	-16,129	-9,731	-5,978
Cash and cash equivalents as per US GAAP	40,657	19,477	19,277	12,255

N Stock compensation plan

The Company, as permitted under SFAS 123 "Accounting for Stock Based Compensation", applies Accounting Principles Board Opinion 25 ("APB 25") and related interpretations in accounting for its plans under US GAAP. No compensation expense has been reflected in the consolidated Income Statement because no compensation expense arises when the strike price of the employee's stock options equals the market value of the underlying stock at grant date, as in the case of options granted to the employees.

If the Company had chosen to adopt the optional recognition provisions of SFAS 123 for its stock option plans, net income and earnings per share in accordance with US GAAP, would have been changed to the pro forma amounts indicated below:

	2001	2000	1999
Net income			
Net income per US GAAP before cumulative effect of accounting change	-24,824	23,393	15,239
Net income, pro forma, per US GAAP before cumulative effect of accounting change	-26,165	21,882	15,239
Earnings per share, diluted			
Earnings per share per US GAAP before cumulative effect of accounting change	-3.14 *	2.94	1.92
Earnings per share, pro forma, per US GAAP before cumulative effect of accounting change	-3.31 *	2.75	1.92

* Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

The fair value of each option grant is estimated on the date of the grant, using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2001	2000	1999
Expected dividend yield	0.6%	1.0%	-
Expected volatility	40.2%	35.4%	-
Risk-free interest rate	5.5%	6.0%	-
Expected life of option (in years)	4.8	3.1	-

25 Tax assessment values (in Sweden)

	Consolidated		Parent company	
	2001	2000	2001	2000
Land and land improvements	24	50	24	28
Buildings	-	216	-	7

26 Special information regarding the Parent company

Sales of the Parent company were SEK 1,374 m. (SEK 1,195 m.), of which exports accounted for 100 (100) percent. Consolidated companies were customers for 0 (0) percent of the Parent company's sales, while 53 (40) percent of the Company's total purchases of goods and services were from such companies.

The Parent company has guaranteed up to an amount of SEK 0.2 m. for loans obtained by employees.

27 Average number of employees and remuneration in 2001 and 2000

Average number of employees

Consolidated	2001		2000	2000		2000
	Men	Women		Men	Women	
Western Europe*	45,223	17,247	62,470	45,229	17,993	63,222
Central and Eastern Europe, Middle East and Africa	3,491	1,181	4,672	3,419	1,182	4,601
North America	6,947	2,910	9,857	8,903	4,532	13,435
Latin America	4,969	1,787	6,756	5,568	2,238	7,806
Asia Pacific	7,894	3,770	11,664	8,497	3,992	12,489
Total	68,524	26,895	95,419	71,616	29,937	101,553
* Of which Sweden	27,703	11,432	39,135	26,726	11,153	37,879
* Of which EU	44,144	16,982	61,126	44,164	17,685	61,849

Parent Company	2001		2000	2000		2000
	Men	Women		Men	Women	
Western Europe*	380	465	845	319	366	685
Central and Eastern Europe, Middle East & Africa	857	51	908	653	69	722
Latin America	7	3	10	5	2	7
Total	1,244	519	1,763	977	437	1,414
* Of which Sweden	380	465	845	319	366	685
* Of which EU	380	465	845	319	366	685

Wages and salaries and social security expenses

	Consolidated		Parent company	
	2001	2000	2001	2000
Wages and salaries	41,227	38,970	795	631
Social security expenses	14,293	13,161	484	384
Of which pension costs	3,704	2,062	345	289

Wages and salaries per geographical area

	Consolidated		Parent company	
	2001	2000	2001	2000
Western Europe*	26,527	25,393	488	425
Central and Eastern Europe, Middle East and Africa	1,381	1,062	302	204
North America	6,910	6,322	–	–
Latin America	2,572	2,502	5	2
Asia Pacific	3,837	3,692	–	–
Total	41,227	38,971	795	631
* Of which Sweden	14,954	14,576	488	425
* Of which EU	25,679	24,665	488	425
Board of Directors, the President, the former President and present and former Executive Vice Presidents (of which bonus and similar paid for 2000 and 1999 respectively)			118	83
			8.4	(8)

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

Stock option plans

Option plans have been implemented as a complementary remuneration to key employees:

Plan	Type	Exercisable	Exercise price, SEK	Employees affected
1999	1.4 million (post split) 7-year employee call options issued by Ericsson	In three lots (30/40/30%) 3–5 years respectively after grant to year 7	212.81	1,800
2000	50.4 million (post split) 7-year employee call options issued by Ericsson	In three lots, 1/3 per year 1–3 years respectively after grant to year 7	132.80	8,000
2001	47.5 million employee call options issued by Ericsson	In three lots, 1/3 per year 1–3 years respectively after grant to year 7	64.00 and 57.00 (two grants)	15,000

Grants for the 1999 plan took place on March 1, 2000 and grants for the 2000 plan were made on January 17, 2000 and in addition to options issued to employees 6.7 million stock options have been issued for hedging of social security costs. The 2001 options were granted on 14 May 2001 (44.9 million) and 19 November 2001 (2.6 million).

The dilutive effect on earnings per share for 2001 of outstanding employee stock option plans was less than 0.1 percent.

Remuneration to members of the Board and the Corporate Management

During the year the following fees have been paid to the Directors appointed by the Annual General Meeting: the Chairman SEK 2,500,000, Deputy Chairmen SEK 750,000 each and other Directors SEK 500,000 each. In addition, each such Director serving on a Board committee has received a fee of SEK 100,000.

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 1,000 per meeting was paid to the employee representatives of the Board. Further, employee representatives being also members of a committee of the Board received a fee of SEK 100 for each committee meeting.

The salary paid and the value of benefits provided to Kurt Hellström in his capacity as President and CEO amounted to SEK 16,941,114.

Sven Christer Nilsson, the former President, was entitled to a severance pay from July 7, 1999 up to July 8, 2001, in the aggregate amounting to SEK 10,664,303. During 2001, severance pay amounting to SEK 3,642,604 was paid to the former President.

The following rules regarding severance pay and pension apply to the President, the Executive Vice Presidents and Senior Vice Presidents.

Severance payments are not made if an employee resigns voluntarily. The same applies if employment is terminated as a result of flagrant disregard of responsibilities. Notice given by the employee, when such significant structural changes or other events occur that, in a determining manner, affect the content of work or the condition for respective positions, is equated with notice of termination served by the company. Upon termination of employment, severance pay amounting to two years' salary is normally paid. In certain cases, if the employee is 50 years of age or older, 40 to 60 percent of the employees final salary, depending on age, is paid annually to age 60. Such payments are made currently during the pertinent period and cease at age 60.

The basic security in the pension arrangements for the President and the Executive Vice Presidents and Senior Vice Presidents consists of affiliation with the so-called ITP plan or corresponding arrangements.

The employee's pension is premium-based. For the portion of a salary in excess of 20 basis amounts, the company pays to a capital insurance an amount that is related both to the age of the executive and to the executive's salary plus a standard bonus. Most of the Executive Vice Presidents and Senior Vice Presidents are already covered by this system.

As described in earlier Annual Reports, the following principles apply to other members of the Corporate Management:

The benefits due under the so-called ITP plan apply, supplemented by the portion of salary and bonus exceeding ITP, from age 65. In addition, the employee has the right to retire with a pension at age 60, at the earliest. Following which the pension is based on the current pensionable salary at retirement and amounts to between 40 and 70 percent of this salary. Subject to certain conditions, this pension is also paid if the employee is entitled to severance pay at age 60.

Costs of pensions for the former President, the President, former and present Executive Vice Presidents amounted to SEK 45.5 m. during the year.

28 Fees to auditors

	Price-waterhouse-Coopers	KPMG	Others	Total
Audit fees				
Parent company	4	–	–	4
Other companies	46	5	2	53
	50	5	2	57
Fees for other services				
Parent company	8	–	n/a	8
Other companies	100	5	n/a	105
	108	5	n/a	113
Total fees	158	10	2	170

Auditors' Report

*To the Annual General Meeting of the shareholders of
Telefonaktiebolaget LM Ericsson (publ) corporate identity number
556016-0680*

We have audited the annual statements, the consolidated statements, the accounting records and the administration of the Board of Directors and the President of Telefonaktiebolaget LM Ericsson (publ) for the year 2001. These statements and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual statements, the consolidated statements and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual statements and the consolidated statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the

annual statements and the consolidated statements. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Statements Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual statements and the consolidated statements have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal of the Board of Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, January 25, 2002

Carl-Eric Bohlin
*Authorized Public Accountant
PricewaterhouseCoopers AB*

Olof Herolf
*Authorized Public Accountant
PricewaterhouseCoopers AB*

Thomas Thiel
Authorized Public Accountant

Treasury and Financial Risk Management

Ericsson has a financial policy approved by the Board of Directors regulating the management of financial risks. The Finance Committee of the Board is responsible for the continuous monitoring of Ericsson's financial risk exposure and for approving certain matters regarding investments, loans, guarantees or customer financing commitments.

Internally, the Corporate Treasury and Corporate Customer Finance functions manage financial risks and issue policies in this regard to Group companies. For handling of cash management and hedging activities, Ericsson has established Treasury Centers in Stockholm, Dublin, Singapore and Dallas (collectively known as Ericsson Treasury Services, the Group's internal bank).

The primary tasks of the Treasury organization are to manage and control financial exposures in a manner consistent with underlying business risks, to actively manage the Group's financial assets and liabilities and to ensure that the Group always has sufficient financing in place through loans and committed credit arrangements.

Responsibility for identifying and hedging financial risks arising in the Group's operations rests with the individual Ericsson companies. Risks are hedged through Ericsson Treasury Services, which in turn manages the Group's exposure centrally within risk limits given by the Board.

Ericsson classifies financial risks as either market, credit, country or funding and liquidity risks.

MARKET RISK

Market risk is divided into three categories: foreign exchange risk, interest rate risk and risk related to the Ericsson share price.

Foreign Exchange Risk Management

Ericsson reports in SEK and today operates in more than 140 countries. Foreign currency denominated assets, liabilities, sales and purchases, together with a large SEK cost base, result in substantial foreign exchange exposures.

Foreign exchange risks are classified as either economic exposure, transaction exposure or translation exposure.

Economic Exposure Ericsson is dependent on the development of SEK exchange rates and on economic conditions in Sweden. Around 44 percent of all employees and 20 percent of global production is located in Sweden whilst Sweden accounts for just 3 percent of all sales. With this substantial SEK cost base, a gradually weaker SEK exchange rate during 2001 has had a positive impact on Ericsson compared to our competitors with costs denominated in EUR or USD. Normally, Ericsson does not hedge economic exposure.

Transaction Exposure An analysis of net exposures for the whole Group including revenues and costs for 2001 by currency, excluding parts of Consumer Products transferred to Sony Ericsson, shows a major net revenue exposure in USD, EUR, CNY, JPY and GBP. A +/-10 percent change in exchange rates between the SEK and Ericsson's largest currency exposures would give the following effects (SEK b.) USD 1.9, EUR 1.2, CNY 1.0, JPY 0.8, GBP 0.4, before any hedging effects are considered. Both committed and forecasted transaction exposures are hedged, mainly using currency forwards, to safeguard business margins.

As per December 31, 2001, anticipated net transaction exposures in USD, JPY, GBP and EUR were hedged for the next 9–12 months. Unrealized currency forwards carried a market value of approximately SEK –2 b. Due to a weaker SEK exchange rate during 2001, an unhedged position would have increased earnings by approximately SEK 2 b.

Translation Exposure Ericsson has many subsidiaries operating outside of Sweden. These foreign investments are exposed to exchange rate fluctuations. Translation exposure in foreign subsidiaries is hedged within a policy established by the Board:

- Monetary net in companies translated using the temporal method (translation effects in investments affecting the income statement) is hedged to 100 percent.
- Equity in companies translated using the current method (translation effects reported directly in stockholders' equity in the balance sheet) is hedged selectively up to 20 percent of the total exposed equity. The translation differences reported in equity during the year were positive SEK 2.1 b., mainly due to a weaker Swedish Krona.

Interest Rate Risk Management

Ericsson is exposed to interest rate risks through market value fluctuations of certain balance sheet items and changes in interest expenses and revenues. Interest rate risks are managed centrally by Ericsson Treasury Services. The Group hedges its net interest rate exposure by using derivative instruments, such as forward rate agreements, interest rate swaps and futures. Ericsson's established policy is to create a net position where all interest rates are floating.

During 2001 interest rate fixing periods for interest bearing financial assets and liabilities were short-term and balanced.

Risk related to the Ericsson 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 ERIC B shares and warrants for issuance of new ERIC B shares. An increase in the share price will result in social security

Treasury and Financial Risk Management

charges, which represents a risk to both Ericsson's income statement and cash flow. The income statement exposure in some of the option programs is hedged through the purchase of call options. The cash flow exposure is fully hedged through the holding of ERIC B shares and through the purchase of call options on ERIC B shares.

CREDIT RISK

Ericsson divides Credit risk into three categories: customer financing risk, financial credit risk and operational credit risk.

Customer Financing Risk Management

Ericsson's credit approval process requires that all major commitments to extend financing support to customers be approved by the Finance Committee of the Board of Directors.

Ericsson works actively with our customers in early discussions to structure financing of new investments in the best possible way. Ericsson can add considerable value to this process and sometimes extend vendor loans. In most cases, Ericsson's role is to bridge the short-term funding gap until medium and long-term external financing solutions are in place. Our objective is to find suitable off-balance sheet financing solutions with as limited recourse to Ericsson as possible.

Corporate Customer Finance units operate in all Market Areas to support the business in the early stages of negotiations. To the extent customer credits are not immediately transferred to banks, the consolidated company, Ericsson Credit AB, manages the bulk of remaining outstanding vendor loan exposures. Some of our off-balance sheet customer financing is provided by associated finance companies, such as Ericsson Project Finance AB and AB LM Ericsson Finans. Any recourse to Ericsson for credit risk relating to off-balance sheet financing is reported as contingent liabilities. The exposure from outstanding vendor loans and credit commitments is handled centrally.

As of December 31, 2001, total gross customer financing amounted to SEK 26.4 b., of which SEK 8.9 b. were on-balance sheet for the Ericsson Group, while the remainder were guaranteed off-balance sheet items. Around two thirds of the

total outstanding exposure is now off Ericsson's balance sheet. This reflects the efforts made to reduce on-balance sheet credits and improve cash flow.

The level of total credit risk relating to customer finance has increased over the period. However, transfer of risk to the financial markets continues. In December 2001, Ericsson placed a portfolio of vendor credits valued at SEK 16.4 b. on the market, leading to a transfer of approximately SEK 2 b. of vendor credits from Ericsson's balance sheet. The remainder represents credits against future commitments, thereby improving Ericsson's risk profile and reducing future cash outflow. Some vendor loans have been repaid during the year.

Credit losses incurred during the year have been limited. A small number of credits have also been successfully restructured. Risk provisions are made for all credits. The level of provision is determined individually for each credit based on a conservative assessment of the risk exposure.

Financial Credit Risk Management

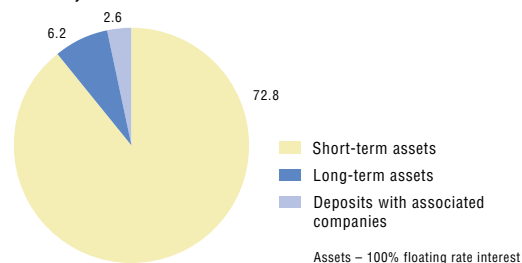
Financial investments and derivatives carry an element of risk that counterparties may be unable to fulfill their obligations.

Ericsson Treasury Services limits these risks by investing excess liquidity primarily in government paper, as well as commercial paper and corporate bonds, with short-term ratings of at least A2/P2 and long-term ratings of at least A. No credit losses were incurred during the year.

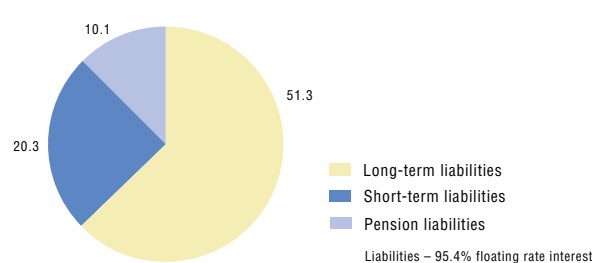
Table 1 – Ericsson Treasury Services' external investments, as of December 31, 2001, SEK b.

Security	2001	2000
Treasury Bills	19.3	13.2
Cash, Bank Deposits	11.7	5.6
Commercial Paper	11.1	1.9
Floating Rate Notes	1.9	1.1
Mortgage CP	–	0.5
Corporate Bonds	1.0	0.3
Treasury Bonds	2.9	0.2
Mortgage Bonds	0.2	0.2
Total	48.1	23.0

Interest bearing financial assets, SEK 81.6 b.



Interest bearing financial liabilities, SEK 81.8 b.



Ericsson Treasury Services' exposure in derivative instruments is, for operational purposes, valued at market daily and expressed as a liability to, or receivable from, each counterparty. Netting contracts (ISDA agreements) are in place for all counterparties, substantially reducing the risk.

Operational Credit Risk Management

The year was characterized by successful efforts to reduce outstanding accounts receivable in order to minimize credit risk and reduce working capital. Action has been taken to improve the management and collection process of receivables.

COUNTRY RISK

Country risk measures Swedish companies' risk in relation to all foreign receivables and guarantees, equity investments in foreign subsidiaries and associated companies and lending from the internal bank to foreign subsidiaries.

FUNDING AND LIQUIDITY RISK

Ericsson maintains sufficient liquidity through cash management, investments in highly liquid fixed income securities, and by having sufficient committed and uncommitted credit lines in place for potential funding needs.

Ericsson defines liquidity as cash and short-term investments (up to 12 months). During 2001, liquidity increased by SEK 33.2 b. Net liquidity, after deduction of short-term interest bearing financial liabilities, increased by SEK 28.4 b.

During the year, funding programs and long-term committed credit facilities were significantly increased; the Euro Medium Term Note Program by USD 2,500 m., the US Commercial Paper Program by USD 500 m. and the Euro Commercial Paper Program by USD 800 m. Long-term committed credit facilities were increased by USD 600 m. Medium Term Note and Commercial Paper Programs are formats for issuing securities in the debt capital and money markets subject to market conditions and does not represent committed credit facilities.

In October, 2001, a EUR 400 m. credit facility with the European Investment Bank was signed.

Table 2 – Funding programs and long-term committed credit facilities, available and utilized, as of December 31, 2001, SEK millions.

Program/Facility	Amount	Utilized	Available
European Medium Term Note Program (USD 5,000m)	53,141	46,139	7,002
US Commercial Paper Program (USD 1,000m)	10,628	0	10,628
European Commercial Paper Program (USD 1,500m)	15,942	0	15,942
Swedish Commercial Paper Program (SEK 5,000m)	5,000	0	5,000
Long-Term Committed Credit Facilities (USD 1,600m)*	17,005	0	17,005
Total year end 2001	101,716	46,139	55,577
Total year end 2000	49,646	23,630	26,016

* SEK 6 b. of long-term committed credit facilities are subject to conditions linked to our credit rating.

Ericsson's objective is to have a payment readiness (defined as cash and short-term investments less short-term borrowings plus long-term unused credit commitments) of between 7 and 10 percent of sales to meet rapid changes in liquidity requirements. During periods of increased uncertainty, the payment readiness target may be significantly higher. During 2001 payment readiness was increased to exceptionally high levels by raising long-term debt and increasing long-term committed credit facilities. Bond issues and bank loans increased long-term borrowings during the year by SEK 29.7 b.

Payment readiness, as of December 31, 2001, was 28 percent of sales (11 percent in 2000).

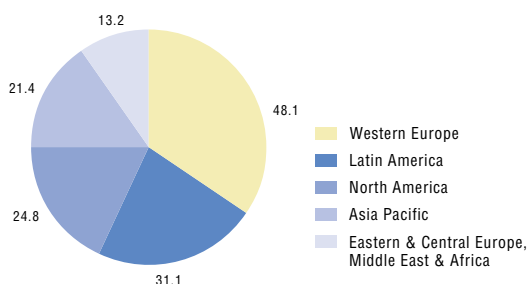
To support the long-term payment readiness objective, Ericsson policy stipulates that the greater part of borrowings should be long-term or supported by long-term credit commitments.

During 2001 Moody's and Standard & Poor's lowered their ratings two notches respectively. The outlook remained negative with both agencies.

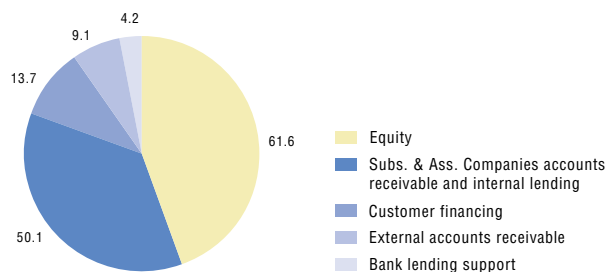
Ratings, as of December 31, 2001

Rating agency	Long-term	Short-term
Moody's	Baa1	P-2
Standard & Poor's	BBB+	A-2

COUNTRY RISK
Total risk by geographical area
SEK 139 b.



COUNTRY RISK
Total risk by category
SEK 139 b.



Segments and Market Areas

ORDERS BOOKED BY SEGMENT BY QUARTER (SEK m.)

Year to date	0003	0006	0009	2000 0012	0103	0106	0109	2001 0112
Systems	57,944	103,503	153,219	213,164	62,583	113,286	148,561	182,757
of which Mobile Systems	48,471	85,757	125,738	175,609	52,625	94,841	125,430	156,370
Multiservice Networks	9,473	17,746	27,481	37,555	9,958	18,445	23,131	26,387
Phones	14,562	27,988	42,113	56,937	7,178	14,813	22,234	22,234
Other operations	11,266	19,991	27,665	35,751	8,239	13,764	17,902	25,974
Less: Intersegment orders	-4,298	-7,287	-10,131	-13,508	-2,501	-5,198	-7,150	-9,488
Total	79,474	144,195	212,866	292,344	75,499	136,665	181,547	221,477

Isolated quarters	Q1	Q2	Q3	2000 Q4	Q1	Q2	Q3	2001 Q4
Systems	57,944	45,559	49,716	59,945	62,583	50,703	35,275	34,196
of which Mobile Systems	48,471	37,286	39,981	49,871	52,625	42,216	30,589	30,940
Multiservice Networks	9,473	8,273	9,735	10,074	9,958	8,487	4,686	3,256
Phones	14,562	13,426	14,125	14,824	7,178	7,635	7,421	0
Other operations	11,266	8,725	7,674	8,086	8,239	5,525	4,138	8,072
Less: Intersegment orders	-4,298	-2,989	-2,844	-3,377	-2,501	-2,697	-1,952	-2,338
Total	79,474	64,721	68,671	79,478	75,499	61,166	44,882	39,930

NET SALES BY SEGMENT BY QUARTER (SEK m.)

Year to date	0003	0006	0009	2000 0012	0103	0106	0109	2001 0112
Systems	38,910	85,343	133,440	194,747	44,127	94,843	137,798	187,777
of which Mobile Systems	32,481	70,339	109,061	158,083	35,336	76,356	111,923	154,343
Multiservice Networks	6,429	15,004	24,379	36,664	8,791	18,487	25,875	33,434
Phones	14,794	28,145	42,473	56,279	7,170	15,317	23,567	23,567
Other operations	9,297	17,801	25,888	35,927	7,249	14,162	19,671	30,816
Less: Intersegment sales	-3,916	-7,171	-10,341	-13,384	-2,614	-5,610	-7,735	-10,321
Total	59,085	124,118	191,460	273,569	55,932	118,712	173,301	231,839

Isolated quarters	Q1	Q2	Q3	2000 Q4	Q1	Q2	Q3	2001 Q4
Systems	38,910	46,433	48,097	61,307	44,127	50,716	42,955	49,979
of which Mobile Systems	32,481	37,858	38,722	49,022	35,336	41,020	35,567	42,420
Multiservice Networks	6,429	8,575	9,375	12,285	8,791	9,696	7,388	7,559
Phones	14,794	13,351	14,328	13,806	7,170	8,147	8,250	0
Other operations	9,297	8,504	8,087	10,039	7,249	6,913	5,509	11,145
Less : Intersegment sales	-3,916	-3,255	-3,170	-3,043	-2,614	-2,996	-2,125	-2,586
Total	59,085	65,033	67,342	82,109	55,932	62,780	54,589	58,538

ADJUSTED OPERATING INCOME AND OPERATING MARGIN BY SEGMENT BY QUARTER (SEK m.)

Year to date	0003	0006	0009	2000 0012	0103	0106	0109	2001 0112
Systems	5,641	15,280	23,392	32,641	1,808	2,382	2,620	2,881
Phones	569	-1,544	-5,517	-15,613	-5,722	-10,350	-14,559	-17,001
Other operations	578	1,058	1,550	1,579	-118	25	-817	-2,058
Unallocated*	-413	-1,260	-1,171	-1,858	-331	-642	-1,069	-1,716
Total	6,375	13,534	18,254	16,749	-4,363	-8,585	-13,825	-17,894

Items affecting comparability:

- Non-operational capital gains/losses, net	-	4,738	6,164	5,933	42	3	168	347
- Capital gain Juniper Networks	-	-	-	15,383	5,453	5,453	5,453	5,453
- Pension refund	-	1,100	1,100	1,100	-	-	-	-
- Restructuring costs	-	-	-	-8,000	-	-15,000	-15,000	-15,000
Total	0	5,838	7,264	14,416	5,495	-9,544	-9,379	-9,200

As percentage of Net Sales

	0003	0006	0009	2000 0012	0103	0106	0109	2001 0112
Systems	14%	18%	18%	17%	4%	3%	2%	2%
Phones	4%	-5%	-13%	-28%	-80%	-68%	-62%	n/a
Other operations	6%	6%	6%	4%	-2%	0%	-4%	n/a
Total	11%	11%	10%	6%	-8%	-7%	-8%	-8%

Isolated quarters

	Q1	Q2	Q3	2000 Q4	Q1	Q2	Q3	2001 Q4
Systems	5,641	9,639	8,112	9,249	1,808	574	238	261
Phones	569	-2,113	-3,973	-10,096	-5,722	-4,628	-4,209	-2,442
Other operations	578	480	492	29	-118	143	-842	-1,241
Unallocated*	-413	-847	89	-687	-331	-311	-427	-647
Total	6,375	7,159	4,720	-1,505	-4,363	-4,222	-5,240	-4,069

Items affecting comparability:

- Non-operational capital gains/losses, net	-	4,738	1,426	-231	42	-39	165	179
- Capital gain Juniper Networks	-	-	-	15,383	5,453	-	-	-
- Pension refund	-	1,100	-	-	-	-	-	-
- Restructuring costs	-	-	-	-8,000	-	-15,000	-	-
Total	0	5,838	1,426	7,152	5,495	-15,039	165	179

As percentage of Net Sales

	Q1	Q2	Q3	2000 Q4	Q1	Q2	Q3	2001 Q4
Systems	14%	21%	17%	15%	4%	1%	1%	1%
Phones	4%	-16%	-28%	-73%	-80%	-57%	-51%	n/a
Other operations	6%	6%	6%	0%	-2%	2%	-15%	n/a
Total	11%	11%	7%	-2%	-8%	-7%	-10%	-7%

* "Unallocated" consists mainly of costs for corporate staffs, certain goodwill amortization and non-operational gains and losses.

Segments and Market Areas

ORDERS BOOKED BY MARKET AREA BY QUARTER (SEK m.)

Year to date	0003	0006	0009	2000 0012	0103	0106	0109	2001 0112
Western Europe*	25,048	50,870	71,807	105,684	29,042	47,697	60,895	68,934
Central- and Eastern Europe, Middle East & Africa	17,388	24,503	32,104	40,972	11,273	17,606	29,548	33,455
North America	9,148	19,082	27,326	37,977	7,320	13,183	19,954	29,767
Latin America	9,695	19,312	33,053	44,959	12,638	22,723	26,989	33,332
Asia Pacific	18,195	30,428	48,576	62,752	15,226	35,456	44,161	55,989
Total	79,474	144,195	212,866	292,344	75,499	136,665	181,547	221,477
* Of which Sweden	2,924	6,010	7,983	9,876	1,998	5,135	6,294	9,379
* Of which EU	23,261	47,523	67,194	99,951	27,565	45,356	57,855	64,437

Change					0103	0106	0109	0112
Western Europe*					16%	-6%	-15%	-35%
Central- and Eastern Europe, Middle East & Africa					-35%	-28%	-8%	-18%
North America					-20%	-31%	-27%	-22%
Latin America					30%	18%	-18%	-26%
Asia Pacific					-16%	17%	-9%	-11%
Total					-5%	-5%	-15%	-24%
* Of which Sweden					-32%	-15%	-21%	-5%
* Of which EU					19%	-5%	-14%	-36%

Isolated quarters	Q1	Q2	Q3	2000 Q4	Q1	Q2	Q3	2001 Q4
Western Europe*	25,048	25,822	20,937	33,877	29,042	18,655	13,198	8,039
Central- and Eastern Europe, Middle East & Africa	17,388	7,115	7,601	8,868	11,273	6,333	11,942	3,907
North America	9,148	9,934	8,244	10,651	7,320	5,863	6,771	9,813
Latin America	9,695	9,617	13,741	11,906	12,638	10,085	4,266	6,343
Asia Pacific	18,195	12,233	18,148	14,176	15,226	20,230	8,705	11,828
Total	79,474	64,721	68,671	79,478	75,499	61,166	44,882	39,930
* Of which Sweden	2,924	3,086	1,972	1,893	1,998	3,137	1,159	3,085
* Of which EU	23,261	24,262	19,671	32,757	27,565	17,791	12,499	6,582

Change	Q1	Q2	Q3	Q4
Western Europe*	16%	-28%	-37%	-76%
Central- and Eastern Europe, Middle East & Africa	-35%	-11%	57%	-56%
North America	-20%	-41%	-18%	-8%
Latin America	30%	5%	-69%	-47%
Asia Pacific	-16%	65%	-52%	-17%
Total	-5%	-5%	-35%	-50%
* Of which Sweden	-32%	2%	-41%	63%
* Of which EU	19%	-27%	-36%	-80%

NET SALES BY MARKET AREA BY QUARTER (SEK m.)

Year to date	0003	0006	0009	2000 0012	0103	0106	0109	2001 0112
Western Europe*	23,578	47,011	70,090	100,234	18,024	37,154	53,568	71,105
Central- and Eastern Europe, Middle East & Africa	7,323	16,799	25,850	37,701	8,187	17,315	25,555	35,867
North America	8,549	19,263	27,704	35,193	7,186	14,961	23,131	31,379
Latin America	7,781	17,334	28,953	44,118	8,467	18,482	24,836	34,516
Asia Pacific	11,854	23,711	38,863	56,323	14,068	30,800	46,211	58,972
Total	59,085	124,118	191,460	273,569	55,932	118,712	173,301	231,839
* Of which Sweden	2,380	4,371	6,704	8,732	1,628	3,518	5,022	7,341
* Of which EU	22,052	44,031	65,754	94,293	17,046	35,020	50,650	66,561

Change					0103	0106	0109	0112
Western Europe*					-24%	-21%	-24%	-29%
Central- and Eastern Europe, Middle East & Africa					12%	3%	-1%	-5%
North America					-16%	-22%	-17%	-11%
Latin America					9%	7%	-14%	-22%
Asia Pacific					19%	30%	19%	5%
Total					-5%	-4%	-9%	-15%
* Of which Sweden					-32%	-20%	-25%	-16%
* Of which EU					-23%	-20%	-23%	-29%

Isolated quarters	Q1	Q2	Q3	2000 Q4	Q1	Q2	Q3	2001 Q4
Western Europe*	23,578	23,433	23,079	30,144	18,024	19,130	16,414	17,537
Central- and Eastern Europe, Middle East & Africa	7,323	9,476	9,051	11,851	8,187	9,128	8,240	10,312
North America	8,549	10,714	8,441	7,489	7,186	7,775	8,170	8,248
Latin America	7,781	9,553	11,619	15,165	8,467	10,015	6,354	9,680
Asia Pacific	11,854	11,857	15,152	17,460	14,068	16,732	15,411	12,761
Total	59,085	65,033	67,342	82,109	55,932	62,780	54,589	58,538
* Of which Sweden	2,380	1,991	2,333	2,028	1,628	1,890	1,504	2,319
* Of which EU	22,052	21,980	21,723	28,539	17,046	17,974	15,630	15,911

Change					Q1	Q2	Q3	Q4
Western Europe*					-24%	-18%	-29%	-42%
Central- and Eastern Europe, Middle East & Africa					12%	-4%	-9%	-13%
North America					-16%	-27%	-3%	10%
Latin America					9%	5%	-45%	-36%
Asia Pacific					19%	41%	2%	-27%
Total					-5%	-3%	-19%	-29%
* Of which Sweden					-32%	-5%	-36%	14%
* Of which EU					-23%	-18%	-28%	-44%

Segments and Market Areas

EXTERNAL ORDERS BOOKED BY MARKET AREA AND SEGMENT (SEK m.)

Year to date 2001	Systems	Phones	Other	Total	Share of Total	Change vs. 2000 (%)
Western Europe	49,996	7,506	11,432	68,934	31%	-35%
Central- and Eastern Europe, Middle East & Africa	31,058	1,842	555	33,455	15%	-18%
North America	23,342	5,123	1,302	29,767	13%	-22%
Latin America	29,171	2,257	1,904	33,332	15%	-26%
Asia Pacific	48,824	4,834	2,331	55,989	26%	-11%
Total	182,391	21,562	17,524	221,477	100%	-24%
Share of Total	82%	10%	8%	100%		

EXTERNAL NET SALES BY MARKET AREA AND SEGMENT (SEK m.)

Year to date 2001	Systems	Phones	Other	Total	Share of Total	Change vs. 2000 (%)
Western Europe	51,209	7,465	12,431	71,105	31%	-29%
Central- and Eastern Europe, Middle East & Africa	32,307	2,017	1,543	35,867	15%	-5%
North America	22,677	6,147	2,555	31,379	14%	-11%
Latin America	30,090	2,428	1,998	34,516	15%	-22%
Asia Pacific	51,096	5,017	2,859	58,972	25%	5%
Total	187,379	23,074	21,386	231,839	100%	-15%
Share of Total	81%	10%	9%	100%		

TOP 10 MARKETS IN ORDERS AND SALES

Year to date 2001

Orders	Share of total orders	Sales	Share of total sales
United States	13%	United States	13%
China	12%	China	12%
Italy	7%	Mexico	6%
Mexico	6%	Italy	6%
Brazil	5%	United Kingdom	5%
Japan	4%	Brazil	5%
United Kingdom	4%	Japan	4%
Sweden	4%	Spain	4%
Spain	4%	Sweden	3%
Germany	3%	Turkey	3%

NUMBER OF EMPLOYEES BY SEGMENT BY QUARTER

	0003	0006	0009	2000 0012	0103	0106	0109	2001 0112
Systems	64,836	66,207	68,571	71,102	75,081	76,636	71,392	67,898
Phones	17,290	17,710	18,137	16,840	14,461	7,837	6,439	0
Other operations	19,167	16,324	15,602	16,059	16,453	14,005	13,774	15,861
Unallocated	1,030	1,076	1,084	1,128	1,264	1,343	1,344	1,439
Total	102,323	101,317	103,394	105,129	107,259	99,821	92,949	85,198
Change					0103	0106	0109	0112
Systems					16%	16%	4%	-5%
Phones					-16%	-56%	-65%	-100%
Other operations					-14%	-14%	-12%	-1%
Unallocated					23%	25%	24%	28%
Total					5%	-1%	-10%	-19%

ADJUSTED OPERATING INCOME AND OPERATING MARGIN BY SEGMENT BY QUARTER – PRO FORMA (SEK m.)

Year to date	0103	0106	0109	2001 0112
Systems	1,808	2,382	2,620	2,881
Phones	-5,512	-9,964	-13,947	-14,649
Other operations	-328	-361	-1,429	-4,410
Unallocated*	-331	-642	-1,069	-1,716
Total	-4,363	-8,585	-13,825	-17,894
Items affecting comparability:				
- Non-operational capital gains/losses, net	42	3	168	347
- Capital gain Juniper Networks	5,453	5,453	5,453	5,453
- Restructuring costs	-	-15,000	-15,000	-15,000
Total	5,495	-9,544	-9,379	-9,200

As percentage of Net Sales	0103	0106	0109	2001 0112
Systems	4%	3%	2%	2%
Phones**	-	-	-	-
Other operations	-4%	-2%	-6%	-13%
Total	-9%	-8%	-9%	-8%

Isolated quarters	Q1	Q2	Q3	2001 Q4
Systems	1,808	574	238	261
Phones	-5,512	-4,452	-3,983	-702
Other operations	-328	-33	-1,068	-2,981
Unallocated*	-331	-311	-427	-647
Total	-4,363	-4,222	-5,240	-4,069
Items affecting comparability:				
- Non-operational capital gains/losses, net	42	-39	165	179
- Capital gain Juniper Networks	5,453	-	-	-
- Restructuring costs	-	-15,000	-	-
Total	5,495	-15,039	165	179

As percentage of Net Sales	Q1	Q2	Q3	2001 Q4
Systems	4%	1%	1%	1%
Phones**	-	-	-	-
Other operations	-4%	0%	-17%	-27%
Total	-9%	-8%	-11%	-7%

* "Unallocated" consists mainly of costs for corporate staffs, certain goodwill amortization and non-operational gains and losses

** Calculation not applicable

Pro forma format, reflecting results with parts of Phones transferred to the joint venture Sony Ericsson Mobile Communications, accounted for under the equity method, and retained parts included in Other operations. No change in reported total income numbers are made.

Segments and Market Areas

ORDERS BOOKED BY SEGMENT BY QUARTER – PRO FORMA (SEK m.)

Year to date	0103	0106	0109	2001 0112
Systems	62,583	113,286	148,561	182,757
of which Mobile Systems	52,625	94,841	125,430	156,370
Multiservice Networks	9,958	18,445	23,131	26,387
Other operations	9,227	15,653	20,426	28,498
Less: Intersegment orders	-2,501	-5,198	-7,150	-9,488
Total	69,309	123,741	161,837	201,767

Isolated quarters	Q1	Q2	Q3	2001 Q4
Systems	62,583	50,703	35,275	34,196
of which Mobile Systems	52,625	42,216	30,589	30,940
Multiservice Networks	9,958	8,487	4,686	3,256
Other operations	9,227	6,426	4,773	8,072
Less: Intersegment orders	-2,501	-2,697	-1,952	-2,338
Total	69,309	54,432	38,096	39,930

NET SALES BY SEGMENT BY QUARTER – PRO FORMA (SEK m.)

Year to date	0103	0106	0109	2001 0112
Systems	44,127	94,843	137,798	187,777
of which Mobile Systems	35,336	76,356	111,923	154,343
Multiservice Networks	8,791	18,487	25,875	33,434
Other operations	8,247	16,062	22,236	33,381
Less: Intersegment sales	-2,614	-5,610	-7,735	-10,321
Total	49,760	105,295	152,299	210,837

Isolated quarters	Q1	Q2	Q3	2001 Q4
Systems	44,127	50,716	42,955	49,979
of which Mobile Systems	35,336	41,020	35,567	42,420
Multiservice Networks	8,791	9,696	7,388	7,559
Other operations	8,247	7,815	6,174	11,145
Less: Intersegment sales	-2,614	-2,996	-2,125	-2,586
Total	49,760	55,535	47,004	58,538

NUMBER OF EMPLOYEES BY QUARTER – PRO FORMA

Year to date	0103	0106	0109	2001 0112
Systems	75,081	76,636	71,392	67,898
Other operations	18,615	16,167	15,936	15,861
Unallocated	1,264	1,343	1,344	1,439
Total	94,960	94,146	88,672	85,198

Pro forma format, reflecting results with parts of Phones transferred to the joint venture Sony Ericsson Mobile Communications, accounted for under the equity method, and retained parts included in Other operations. No change in reported total income numbers are made.

EXTERNAL ORDERS BOOKED BY MARKET AREA AND SEGMENT – PRO FORMA (SEK m.)

Year to date 2001	Systems	Other	Total	Share of Total
Europe, Middle East & Africa	81,054	11,648	92,702	46%
North America	23,342	1,293	24,635	12%
Latin America	29,171	1,912	31,083	15%
Asia Pacific	48,824	4,523	53,347	27%
Total	182,391	19,376	201,767	100%
Share of Total	90%	10%	100%	

EXTERNAL NET SALES BY MARKET AREA AND SEGMENT – PRO FORMA (SEK m.)

Year to date 2001	Systems	Other	Total	Share of Total
Europe, Middle East & Africa	83,516	13,617	97,133	46%
North America	22,677	2,513	25,190	12%
Latin America	30,090	2,006	32,096	15%
Asia Pacific	51,096	5,322	56,418	27%
Total	187,379	23,458	210,837	100%
Share of Total	89%	11%	100%	

TOP 10 MARKETS IN ORDERS AND SALES – PRO FORMA

Year to date 2001

Orders	Share of total orders	Sales	Share of total sales
China	13%	China	13%
United States	11%	United States	11%
Italy	7%	Mexico	6%
Mexico	6%	Italy	6%
Brazil	5%	United Kingdom	5%
Japan	5%	Brazil	5%
Sweden	4%	Japan	5%
United Kingdom	4%	Spain	4%
Spain	4%	Sweden	3%
Germany	4%	Turkey	3%

Pro forma format, reflecting results with parts of Phones transferred to the joint venture Sony Ericsson Mobile Communications, accounted for under the equity method, and retained parts included in Other operations. No change in reported total income numbers are made.

Ten Year Summary

SEK Million	2001	2000	1999
Results for the year			
Net sales	231,839	273,569	215,403
Operating income ¹	-27,094	31,165	17,590
Financial net	-2,039	-1,520	-698
Income before taxes ¹	-30,309	28,692	16,386
Year-end position			
Total assets ¹	250,056	250,314	202,628
Working capital	102,504	93,879	66,037
Capital employed	153,880	141,013	116,378
Tangible assets	16,075	22,378	24,719
Stockholders' equity ¹	68,587	91,686	69,176
Interest-bearing provisions and liabilities	81,761	46,563	45,020
Other information			
Earnings per share diluted, SEK ^{1,2,3,4,5}	-2.69	2.65	1.54
– in accordance with US GAAP, diluted ^{2,4,5}	-3.14	2.94	1.92
Cash dividends per share, SEK ^{2,4,5}	0 *	0.50	0.50
Shares outstanding			
– average (in thousands) ^{2,4,5}	7,908,660	7,869,445	7,817,164
Additions to tangible assets	8,306	12,293	9,085
Depreciation on tangible assets	6,407	9,957	6,532
Research and development and other technical expenses ⁶	46,640	41,921	33,123
– as percent of net sales ⁶	20.1	15.3	15.4
Ratios			
Return on equity, percent ¹	-26.5	26.1	18.3
Return on capital employed, percent ¹	-15.8	26.5	19.0
Equity ratio, percent ¹	28.8	37.7	35.2
Debt-equity ratio ¹	1.1	0.5	0.6
Current ratio	1.7	1.6	1.6
Statistical data, year-end			
Backlog of orders	87,414	101,215	83,976
Number of employees			
– World wide	85,198	105,129	103,290
– Sweden	37,328	42,431	44,040

* For 2001, proposed by the Board of Directors.

¹ 1992 adjusted for change in accounting principles.

² 1992–1994 adjusted for stock issue and 4-for-1 stock split.

³ 1992–1995 adjusted for stock dividend element of the stock issue in 1995.

⁴ 1992–1997 adjusted for stock issue 1:1.

⁵ 1992–1999 adjusted for 4-for-1 stock split.

⁶ 1992–2000 adjusted to exclude Research and development cost regarding customer orders included in Cost of sales.

Working capital

Current assets less current non-interest-bearing provisions and liabilities.

Capital employed

Capital employed is defined as total assets less noninterest-bearing provisions and liabilities.

Earnings per share

See Accounting principles for information of principles for calculation earnings per share. For earnings per share in accordance with US GAAP, see note 24 to the Financial Statements.

Return on equity

Defined as net income expressed as a percentage of average adjusted stockholders' equity (based on the amounts at January 1 and December 31).

1998	1997	1996	1995	1994	1993	1992
184,438	167,740	124,266	98,780	82,554	62,954	47,020
19,273	18,757	10,758	8,164	6,553	3,530	1,754
-237	48	412	58	-386	8	-204
18,210	17,218	10,152	7,615	5,610	3,108	1,241
167,456	147,440	112,152	90,832	72,999	67,490	56,637
52,978	53,095	36,180	29,394	20,899	20,869	20,063
92,637	80,165	61,411	51,566	41,611	40,168	35,842
22,516	19,225	17,754	15,521	13,678	12,363	11,093
63,112	52,624	40,456	34,263	23,302	21,305	17,720
27,474	23,146	17,545	15,554	16,522	16,868	16,321
1.67	1.52	0.91	0.73	0.54	0.39	0.07
1.97	1.63	1.02	0.89	0.66	0.47	0.19
0.50	0.44	0.31	0.22	0.17	0.14	0.11
7,800,900	7,754,968	7,676,336	7,077,536	6,950,120	6,865,088	6,594,112
8,965	7,237	7,188	6,457	5,137	3,805	3,847
5,545	5,422	4,216	3,614	3,004	2,651	2,193
28,027	24,242	19,837	16,891	13,762	10,976	8,945
15.2	14.5	16.0	17.1	16.7	17.4	19.0
22.5	25.7	19.0	18.9	17.7	14.5	2.8
24.9	29.9	22.4	20.7	18.2	12.9	9.6
38.9	38.7	39.1	39.6	34.4	34.5	34.5
0.4	0.4	0.4	0.4	0.7	0.7	0.8
1.6	1.7	1.5	1.6	1.5	1.6	1.6
78,990	77,499	63,401	48,401	45,671	45,296	38,050
103,667	100,774	93,949	84,513	76,144	69,597	66,232
44,979	45,360	43,896	42,022	36,984	31,796	29,979

Return on capital employed

Defined as the total of operating income plus financial income as a percentage of average capital employed (based on the amounts at January 1 and December 31).

Equity ratio

Defined as the total of stockholders' equity and minority interest in equity of consolidated subsidiaries, expressed as a percentage of total assets.

Debt-equity ratio

Defined as total interest-bearing provisions and liabilities divided by the total of stockholders' equity and minority interest in equity of consolidated subsidiaries.

Current ratio

Current assets divided by the sum of current provisions and liabilities.

Capital turnover

Net sales divided by average capital employed.

Accounts receivable turnover

Net sales divided by average accounts receivable.

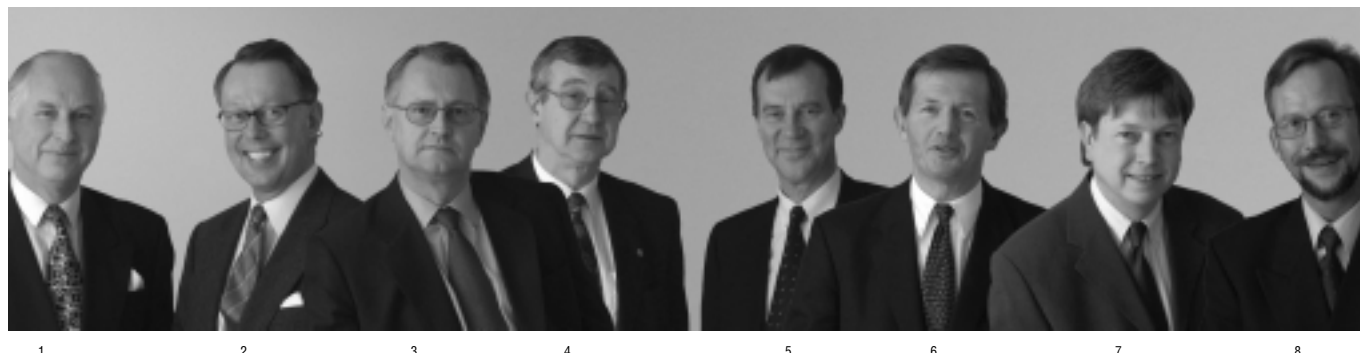
Inventory turnover

Cost of sales divided by average inventory.

Return on sales

Operating income plus Financial income divided by net sales.

Board of Directors and Corporate Management



Board of directors

Ericsson's Articles of Association stipulate that the Board of Directors shall consist of not less than five and not more than twelve Directors, with not more than six deputy Directors, elected each year by the shareholders at the annual general meeting. The term of office for a Director is one year, but a Director may serve any number of consecutive terms. In addition, under Swedish law, employees have the right to appoint three Directors (and their deputies). The Directors and deputy Directors and the year in which they were appointed Director (as of December 31, 2001) are as below:

1 Lars Ramqvist (born 1938)

Director 1990. Chairman of the Finance Committee of the Board. Former CEO of Ericsson. Doctor of Philosophy. Honorary Doctor of Technology. Honorary Doctor of Philosophy. Chairman of the Boards of Skandia and Volvo. Member of the Boards of AstraZeneca and SCA. Member of the Royal Swedish Academy of Sciences, the Royal Swedish Academy of Engineering Sciences and the European Round Table of Industrialists.

Shares held: LME B 30,206
Convertible debentures: 145,347*

2 Clas Reuterskiöld (born 1939)

Director 1994. Chairman of the Audit Committee of the Board. Former President and CEO of Industrivärden. Member of the Boards of Industrivärden, Sandvik, Skandia and SSAB.

Shares held: LME B 50,000

4 Jan Hedlund (born 1946)

Director 1994. Employee representative and Member of the Audit Committee of the Board.

Convertible debentures: 75,520*

5 Göran Engström (born 1948)

Director 1994. Employee representative and Member of the Finance Committee of the Board.

Shares held: LME B 4,774
Convertible debentures: 99,120*
Employee options**

6 Marcus Wallenberg (born 1956)

Deputy Chairman 1996. Deputy Chairman and member of the Finance Committee of the Board. President of Investor. Deputy Chairman of Saab. Member of the Boards of AstraZeneca, Investor, Scania, Stora Enso and the Foundation of Knut and Alice Wallenberg.

Shares held: LME B 352,000

7 Per Lindh (born 1957)

Director 1995 (Deputy 1994). Employee representative.

8 Christer Binning (born 1946)

Deputy 1994. Employee representative.

Shares held: LME B 180
Convertible debentures: 145,347*

Corporate Management

3 Kurt Hellström

President and CEO. Member of the Board of Atlas Copco.

Shares held: LME B 22,692
Convertible debentures: 145,347*
Employee options**

Sten Fornell

Executive Vice President and Chief Financial Officer

Shares held: LME B 176,000
Employee options**

Per-Arne Sandström

Executive Vice President and Chief Operating Officer

Shares held: LME B 2,904
Convertible debentures: 145,347*
Employee options**

Carl Olof Blomqvist

Senior Vice President and General Counsel Legal Affairs

Employee options**

Björn Boström

Senior Vice President Supply and Information Technology

Shares held: LME B 2,228
Convertible debentures: 145,347*
Employee options**

Roland Klein

Senior Vice President Communications

Shares held: LME B 2,000
Employee options**

Torbjörn Nilsson

Senior Vice President Marketing and Strategic Business Development

Shares held: LME B 23,031
Convertible debentures: 145,347*
Employee options**



9 10 11 12 13 14 15 16

9 Peter Sutherland (born 1946)

Director 1996. Member of the Audit Committee of the Board. Honorary Doctor. Chairman of the Boards of Goldman Sachs International and BP. Member of the Boards of Investor, Royal Bank of Scotland Group and the Foundation of the World Economic Forum.

10 Sverker Martin-Löf (born 1943)

Director 1993 (Deputy 1991). Member of the Remuneration Committee of the Board. President and CEO of SCA. Member of the Boards of Skanska, the Confederation of Swedish Enterprise and the Swedish Forest Industries Ass.
Shares held: LME B 8,000

11 Eckhard Pfeiffer (born 1942)

Director 2000. Former President and CEO of Compaq Computer Corp. Chairman of the Board of Intershop Communications. Member of the Boards of General Motors, Hughes Electronics, IFCO Systems, Syntek Capital and Biogen. Member of the Business Council and the Advisory Board of Deutsche Bank.
Shares held: LME B 15,200

Britt Reigo

Senior Vice President People and Culture
Shares held: LME B 12,000
Convertible debentures: 145,347*
Employee options**

Jan Uddenfeldt

Senior Vice President Technology
Shares held: LME B 2,756
Employee options**

Market Areas

Ragnar Bäck

Executive Vice President and Head of Market Area Asia Pacific
Shares held: LME B 1,000
Convertible debentures: 145,347*
Employee options**

Mats Dahlin

Executive Vice President and Head of Market Area Europe, Middle East and Africa
Shares held: LME B 8,000
Employee options**

Gerhard Weise

Executive Vice President and Head of Market Area Americas
Shares held: LME B 27,496
Convertible debentures: 145,347*
Employee options**

12 Niall FitzGerald KBE (born 1945)

Director 2000. Chairman and CEO of Unilever plc. Member of the Board of Merck & Co. Inc.
Shares held: LME B 796

13 Monica Bergström (born 1961)

Deputy 1998. Employee representative.
Convertible debentures: 75,520*

14 Åke Svenmarck (born 1942)

Deputy 2000. Employee representative.

15 Göran Lindahl (born 1945)

Director 1999. Chairman of the Remuneration Committee of the Board. D.Sc. hc, PhD. hc. Former President and CEO of ABB Ltd. Chairman designate of Anglo American plc. Member of the Boards of DuPont, Sony Corporation and Ratos. Member of the Salomon Smith Barney International Advisory Board.
Shares held: LME A 100,000 and B 50,000

16 Tom Hedelius (born 1939)

Director 1991. Deputy Chairman and member of the Finance Committee of the Board. Former Chairman of Handelsbanken, now honorary Chairman. Honorary Doctor of Economics. Chairman of the Boards of Bergman & Beving, Svenska Le Carbone and the Foundation of Anders Sandrew. Deputy Chairman of Industrivärden, Addtech and Lagercrantz Group. Member of the Boards of Volvo and SCA.
Shares held: LME B 72,616

Apart from Lars Ramqvist, no Director has held any position in the management of Ericsson. No Director has any other principal business activity than the principal directorships listed above and no Director has been elected on account of any arrangement or understanding with major shareholder, customer, supplier or other.

* Convertible debentures 1997/2003 with a conversion rate of SEK 59.

** For further information on the option plans for year 1999, 2000 and 2001, see "Employee Ownership" under "Share Information".

Share Information

Stock exchange trading

Ericsson's Series A and Series B shares are traded on the Stockholm stock exchange, Stockholmsbörsen. The Ericsson ticker was changed by Stockholmsbörsen on September 10, 2001 from LME A and LME B to ERIC A and ERIC B. The Series B shares are also traded on the exchanges in Düsseldorf, Frankfurt, Hamburg, London and Paris, and on the "Swiss Exchange" in Switzerland. Ericsson shares are also traded in the United States in the form of American Depository Receipts (ADR) on NASDAQ, under the symbol ERICY. Each ADR represents one Series B share.

Ericsson shares have been traded in euros in Frankfurt and Paris since January 1, 1999. More than 36 billion shares were traded in 2001. Of this number, about 59 (44) percent were traded on Stockholmsbörsen, 13.5 (31) percent on NASDAQ and 26.5 (24) percent on the London Stock Exchange. Trading on other exchanges amounted to about 1 percent of the total, unchanged from the previous year.

Share price trend

The total market value of the Ericsson share dropped 46 percent in 2001 to SEK 460 billion. Stockholmsbörsen's OMX index decreased by nearly 20 percent during the year. The NASDAQ composite index decreased by 21 percent and the NASDAQ telecom index decreased by 49 percent in the same period. The Ericsson share decreased by 53 percent on NASDAQ. The difference to the development on Stockholmsbörsen is mainly attributed to currency changes SEK/USD.

Shareholders

In all, about 85 (90) percent of Ericsson's shares are owned by Swedish and international institutions. At the end of 2001, about 52 (44.7) percent of the shares were held in Sweden. 25.4 (28.9) percent of the share were held in the US, 4.7 (5.2) percent in the UK, 4.5 (5.0) percent in Luxembourg, 3.3 (2.5) percent in Switzerland, 3.0 (4.1) percent in Germany and about 7.1 (9.6) percent in other countries.

Employee ownership

A convertible debenture loan amounting to SEK 6 b. was issued in 1997 with preferential rights to Ericsson's employees. Employees who joined Ericsson after October 10, 1997, were given an opportunity to purchase convertible debentures issued by AB Aulis, an Ericsson company.

No officer or Director of the Board owns more than one percent of the company's shares. Options have not been granted to Directors of the Board. The number of options granted to each officer is classified company information.

Around 2,000 key employees and senior executives were granted 1.4 million seven-year call-options based on earnings in 1999. The size of the allotments was based on our earnings per share and the individual's salary and bonus categories.

At an Extraordinary General Meeting in November 1999, it was decided to implement a stock option plan also for year 2000. In accordance with this resolution 50.4 million employee options (adjusted for split 4:1) were issued to approximately 8,000 employees.

At the 2001 Annual General Meeting it was decided to implement a Global Stock Incentive Program comprising a Stock Option Plan and a Stock Purchase Plan. The entire Global Stock Incentive Program requires 155 million new issued shares. This requires a stock issue of 50.4 million shares if all options are exercised.

- Under the Stock Option Plan about 15,000 key contributors will obtain employee options. The options will be granted during the period 2001 and 2002. One hundred twenty million Ericsson B-shares will be allocated to the Stock Option Plan, including a hedge for social security cash outflow. During 2001, 47.5 million seven-year employee options were granted.
- Most employees will be invited to participate in the Stock Purchase Plan. Participating employees will, during a two-year period, be able to save up to 7.5 percent of the gross salary, not exceeding the equivalent of SEK 50,000 annually, for the purchase of Ericsson B-shares. If the purchased shares are retained by the employee for three years and employment at Ericsson continues during that time, the employee will be given a corresponding number of shares free of charge. Thirty-five million Ericsson B-shares will be allocated to the Stock Purchase Plan, including a hedge for social security cash outflow. The Stock Purchase Plan will be implemented during 2002.

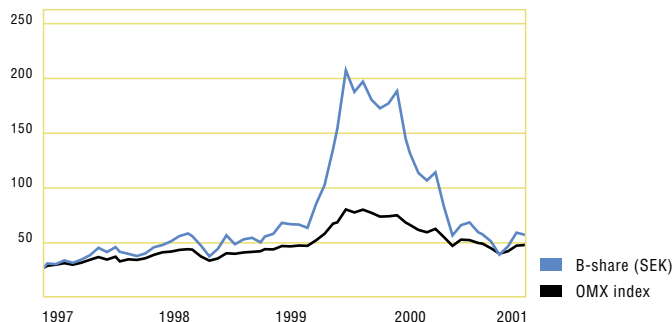
Share capital

As of December 31, 2001, Ericsson's share capital amounted to SEK 8,065,504,007 (7,910,335,612) represented by 8,065,504,007 shares. The par value of each share is SEK 1.00. As of December 31, 2001, the shares were divided into 656,218,640 Series A shares, each carrying one vote, and 7,409,285,367 Series B shares, each carrying one-thousandth of a vote.

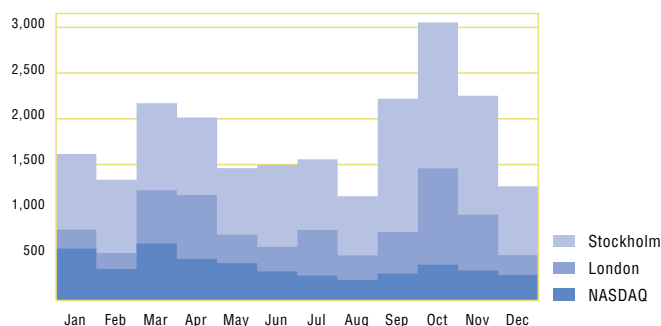
On April 30, 155,000,000 new Series C shares were issued and later re-purchased by the Parent company. These shares were later converted into 155,000,000 Series B Shares.

During the period January 1 to January 22, 2002, no additional conversions were made.

Share trend Stockholmsbörsen



Share turnover 2001



ERICSSON SHARE DATA

	2001	2000 ¹	1999 ¹	1998 ^{1,4}	1997 ^{1,4}
Earnings per share, diluted (SEK)	-2.69	2.65	1.54	1.67	1.52
P/E ratio, B shares ²	-	40	89	29	25
Dividend (SEK)	0 ³	0.50	0.50	0.50	0.44
Direct return %	0	0.5	0.4	1.0	1.2
Stockholmsbörsen share prices (SEK)					
A at December 28	58.50	111	144	52	39
B at December 28	57.50	108	137	48	37
B high for year	122.00	231	143	67	48
B low for year	32.10	101	44	30	26

¹ Adjusted for 4:1 split

² P/E ratio: Price per share at December 31, divided by earnings per share diluted

³ For 2001, proposed by the Board of Directors

⁴ Adjusted for 1:1 stock dividend

CHANGES IN CAPITAL STOCK 1997-2001

		Number of shares	Capital stock
1997	Conversions	13,333,854	33,334,635
1998	Stock dividend	1:1 975,097,150	2,437,742,875
1998	Conversions	1,759,181	4,397,952
1999	Conversions	5,786,131	14,465,328
2000	Stock dividend	-	2,941,658,410
2000	Split	4:1 5,883,316,821	-
2000	Conversions	69,880,270	75,830,899
2001	Conversions	168,395	168,395
2001	New issue	155,000,000	155,000,000
2001	December 31	8,065,504,007	8,065,504,007

LARGEST SHAREHOLDERS BY VOTING RIGHTS, DECEMBER 31, 2001

Person or group	Number of A shares	Percent of total A Shares	Number of B shares	Percent of total B shares	Voting rights, percent
Investor AB	256,660,096	39.11%	126,018,800	1.70%	38.70%
AB Industrivärden	186,000,000	28.34%	3,000,000	0.04%	28.00%
Svenska Handelsbankens Pensionsstiftelse	35,500,000	5.41%	-	0.00%	5.30%
Livförsäkrings AB Skandia	32,962,932	5.02%	86,681,174	1.17%	5.00%
Pensionskassan SHB Försäkringsförening	31,680,000	4.83%	-	0.00%	4.80%
Oktagonen, Stiftelsen	12,560,000	1.91%	343,000	0.00%	2.00%
Gamla Livförsäkringaktiebolaget SEB-Trygg Liv	12,094,720	1.84%	54,090,280	0.66%	1.80%
Svenska Handelsbankens personalstiftelse	10,000,000	1.52%	-	0.00%	1.50%
EB-pensionstiftelsen	8,639,067	1.32%	169,000	0.00%	1.30%
Tredje AP Fonden	4,276,900	0.65%	61,179,613	0.82%	0.70%
SHB Fonder	4,026,000	0.61%	79,452,117	1.07%	0.60%
Wallanders och Hedelius' stiftelse	3,200,000	0.49%	-	0.00%	0.50%
Fjärde AP-Fonden	2,191,000	0.33%	100,709,000	1.36%	0.30%
Andra AP-Fonden	2,191,000	0.33%	79,694,814	1.08%	0.30%
Första AP-Fonden	2,191,000	0.33%	77,663,843	1.05%	0.30%
Foreign ownership ¹	6,308,455	0.96%	3,865,111,953	52.17%	1.53%
Others	45,741,220	6.97%	2,880,824,973	38.88%	7.30%
Total	656,218,640	100.00%	7,409,282,904	100.00%	100.00%

¹ According to SIS Ägarservice AB, 2001-12-28

Of which

Nats Cumco as Nominee (Total amount of ADR's listed on NASDAQ. 1 ADR = 1 B share.)

- - 1,082,552,463 14.61% -

Shareholder Information

The Annual General Meeting will be held at the Globe Arena, Arenatorget, Stockholm, at 4.30 p.m. on Wednesday, March 27, 2002.

Shareholders intending to participate in the Annual General Meeting must be entered as shareholders in the share register maintained by VPC AB (Swedish Securities Register Center) not later than March 15, 2002.

A shareholder whose shares are registered in the name of a trustee must be temporarily entered in the share register not later than March 15, 2002, in order to participate in the Meeting. Please note that this procedure is also due for shareholders who are trading via the Internet.

Notice of participation in the Annual General Meeting

In addition to the requirements listed above, shareholders shall provide notice of attendance to:

Telefonaktiebolaget LM Ericsson
Corporate Legal Affairs
SE-126 25 Stockholm
Telephone:

+46 8 719 34 44, +46 8 719 44 98

between 10 a.m. and 4 p.m.,

facsimile +46 8 719 95 27,

or via e-mail: bolagsstaemma@lme.ericsson.se

no later than 4 p.m. Thursday, March 21, 2002.

Proxy

In order to attend and vote as proxy on behalf of a shareholder at the Meeting, a power of attorney must be presented to the Company, preferably at the above address not later than March 26, 2002.

Dividend

The Board of Directors and the President have decided to propose to the Annual General Meeting that no dividend is paid for year 2001.

Change of address

Shareholder who has changed name, mailing address or account number should notify his/her trustee as soon as possible,

or:

VPC AB

Box 7822

SE-103 97 Stockholm

Sweden.

Financial information from Ericsson

Interim report Jan.-March:

April 22, 2002

Interim report Jan.-June:

July 19, 2002

Interim report Jan.-Sept.:

October 18, 2002

Interim report Jan.-Dec. Full year report:

January, 2003

Annual report 2002:

March, 2003

Annual Reports and interim reports can be ordered on the Internet: www.ericsson.com/investor, or by contacting:
Telefonaktiebolaget LM Ericsson
SE-126 25 Stockholm, Sweden
Telephone: +46 8 719 0000

Ericsson CLO Limited

105 Wigmore Street

London, W1U 1QY, United Kingdom

Telephone: +44 20 7016 1000

Ericsson Inc.

100 Park Avenue, 27th floor

New York NY 10017, USA

Telephone: +1 212 685 4030

Information about Ericsson is available on the Internet: www.ericsson.com

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Vice President, Financial Reporting and Analysis

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E-mail: lars.jacobsson@lme.ericsson.se

Ericsson Annual Report 2001

This document is the Ericsson Annual Report 2001 – Financial Statements. Together with the Ericsson Business Review it forms the Ericsson Annual Report 2001. If not accompanied by this document, the Business Review can be obtained from Ericsson Corporate Communications, tel +46 8 719 0000.

Uncertainties in the Future

This report includes "forward-looking information" within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended, and includes assumptions about future market conditions, operations and results. These statements appear in a number of places and include statements regarding (i) strategies, outlook and growth prospects, (ii) positioning to deliver future plans and to realize potential for future growth, (iii) liquidity and capital resources and expenditure, (iv) growth in demand, particularly for mobile and fixed telecommunications infrastructure and terminals, (v) economic outlook, (vi) regulation and deregulation of the telecommunications market, (vii) qualitative and quantitative disclosures about market risk, (viii) competition among vendors, (ix) restructuring plans, (x) sales volumes, (xi) research and development expenditures and (xii) trend information. Although Ericsson believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results may differ materially from those set out in the forward-looking statements as a result of:

- general economic conditions in markets we operate in and our ability to adapt to rapid changes up or down in market conditions;
- political, economic and regulatory developments in markets where we operate, including allegations of health risks from electromagnetic fields and increasing cost of licenses to use radio frequencies;
- management's ability to develop and execute a successful strategy, including partnerships, acquisitions, divestitures and to manage growth/decline and to execute cost-reduction efforts;
- financial risks, including foreign exchange rate changes, interest rate changes, credit risks regarding business counterparts and risks of confiscation of assets in foreign countries and risks of insufficient liquidity to execute payments;
- the impact of changes in product demand, pricing and competition, including erosion of sales prices, increased competition from existing or new competitors or new technology and the risk that new products and services may fail to be accepted at the rates or levels we anticipate;
- customer structure, where number of customers may be reduced due to consolidations in the industry, and, where the remaining customers become larger, the negative business consequences of a loss of or significant decline in business with such a customer increases;
- cost overruns on significant multi-year fixed price contracts and extended payment terms;
- product development risks, including our ability to adopt new technologies, including the Internet, and to develop commercially viable products, our ability to acquire licenses to necessary technology, our ability to protect our intellectual property rights through patents and trademarks and to defend them against infringement, and results of patent litigation;
- supply constraints, including component- or production capacity shortages, suppliers' abilities to deliver products in time with good quality, and risks related to concentration of purchases from a single vendor or own or outsourced production in a single facility;
- ability to recruit and retain highly qualified management and other employees.

Project management Ericsson Corporate Communications

Design SAS Design, London

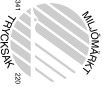
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Photography Stefan Almers, Enda Bowe

Production coordinator Aralia, Stockholm

Reprographics Scarena, Stockholm

Printing Christer Persson Tryckeri AB, K ping, Sweden



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SE-126 25 Stockholm

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How did you manage
the demand for
vendor financing?

What is your
debt position
and liquidity?

Which measures
strengthened the
balance sheet?

Where will the
Sony Ericsson
results be reported?

How did
my shares
perform?