

Bridging the digital divide with communication for all



The Scope and Purpose of this Report

This report summarizes the performance of the Ericsson Group with regard to sustainability. The report generally follows the consolidation principles as described in the Ericsson Annual Report 2004. The terms 'Ericsson,' 'Group,' 'the Company,' 'us,' 'we' and 'our' used in this report all refer to Telefonaktiebolaget LM Ericsson and its consolidated subsidiaries and other entities. Unconsolidated companies, including joint ventures, are not covered in this report.

We started disclosing our environmental performance in 1992, and have since expanded our disclosures to cover our sustainable development activities more broadly. This is our fourth consecutive annual sustainability report and provides information for the period January 1, 2004, to December 31, 2004.

In compiling this report, relevant best practice and various international guidelines, including those of the UN Global Compact and the Global Reporting Initiative (GRI), have been taken into account.

Our desire to make the report easier to read and understand means that we cannot present all figures and results. Instead, you will find references to various parts of our website, in particular www.ericsson.com/about/responsibility, where you can find supplemental information.

This report includes selected financial and non-financial information regarding Ericsson. The Ericsson Annual Report 2004, available at www.ericsson.com/investors, includes our financial statements for 2004 as well as other financial information.

Readers are invited to send feedback to support our efforts to make our reports as informative as possible. Please use the attached feedback form or contact us via e-mail at investor.relations@ericsson.com.

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CEO Comments



Ericsson's commitments towards corporate social responsibility is regarded not as costs but rather as investments. We carry out our corporate social responsibilities diligently because we believe that they do not lower profits; quite conversely, they are essential to sustainable value creation.

Carl-Henric Svanberg
President and CEO

When I meet various stakeholders, I am often congratulated on Ericsson's recovery and outstanding sales growth and profit margins. Our performance could be seen as merely a function of managing costs while selling more products and services. This is only part of the story. Our ability to generate competitive returns is, to a large extent, also a direct reflection of our commitment to long-term sustainable development.

The principles of sustainable development – economic prosperity, environmental quality and social equity – are all integral parts of our values and ways of working. The underlying purpose and goals of sustainable development, however, remain elusive for many of our stakeholders.

At Ericsson, sustainability encompasses everything we do to build an enduring value-creation capability for all our stakeholders: customers, employees, investors and society. This requires our active involvement in the communities in which we operate and a commitment to operate our business in a socially responsible manner.

Ericsson was one of the first companies to endorse the United Nations Global Compact and we have undertaken to incorporate the 10 principles covering human rights, fair labor practices, the environment and anti-corruption into our daily operations.

To understand better Ericsson's philosophy toward corporate social responsibility, you should think of these commitments not as costs but rather as investments. We carry out our corporate social responsibilities diligently because we believe that they do not lower profits; quite conversely, they are essential to sustainable value creation.

Optimizing environmental aspects

We include ethical and environmental concerns in our decision-making process along with weighing risks and rewards, resource requirements, customer commitments and so on. Along these lines, we use life-cycle assessments to create an overview of our environmental impact. This allows us to better optimize environmental aspects in the design, procurement, production and operation of our products, ultimately enhancing our relationships with customers, regulators, suppliers and consumers.

Sustainability may appear to be about avoiding liabilities. In reality, it is about prudently managing risks for strategic and financial gains. It would be very difficult to achieve Ericsson's level of success without making good business decisions. Taking calculated business risks is an inherent part of our sustainable development and you should expect us to continue to apply comprehensive risk management in our business strategy.

A stimulating and safe workplace

An essential factor in Ericsson's success is the attraction, retention and engagement of all our employees. We strive to provide a stimulating and safe workplace characterized by professionalism, respect and equal opportunity. To ensure the level of expertise needed

by an individual employee as well as the company as a whole, we regularly assess our competence requirements and provide employee training. We perform an annual survey to solicit employee feedback and 90 percent of our employees worldwide took part in this survey in 2004. This reflects our commitment to employee development as well as their strong commitment to help continuously improve the company and working environment.

Ericsson sets high ethical standards, represented by our core values and reinforced through a Code of Business Ethics and Conduct that summarizes our Group Policies and Directives. Everyone, from the Board of Directors and Executive Management Team to each individual employee is held accountable for meeting these standards. We also require our suppliers and partners to comply with a similarly stringent Code of Conduct, which is based on the UN Global Compact. We require such high standards of our employees because, as a knowledge-based company, Ericsson is truly a culmination of our employees' actions. Innovation has been a major component of our success for more than a century and is key to our competitiveness in the future.

An all-communicating world

We have a vision of an 'all-communicating world,' where voice, data and images can be conveniently communicated anywhere, anytime, increasing both quality of life and productivity while enabling a more resource-efficient world. With approximately 25 percent of the world's population owning a mobile phone, we have come far in achieving our vision. What about the rest of the population? They represent some 20 percent of global GDP that could benefit significantly from the availability of low-cost communications. An increase of 10 mobile subscriptions per 100 people is estimated to add 0.6 percentage points to the GDP of a typical developing country.

We are part of a United Nations Development Program initiative aimed at making the concept of 'communication for all' commercially viable in developing markets. In the normal course of business, we are prepared to operate certain projects at an initially low rate of return as an investment to develop a market for the longer term.

In this case, the products that we create for less-developed regions are also suitable for other low-subscriber-density areas such as rural areas of more developed countries, enabling us to expand our market in both developing and developed markets. This makes the initiative a real business opportunity, not philanthropy or charity.

Socially and environmentally responsible behavior clearly contributes to economic prosperity and value creation. I believe this, together with our focus on customer and employee satisfaction and operational excellence, leads to best-in-class performance, providing us with a strong foundation for sustainable development over the longer term.



Carl-Henric Svanberg

President and Chief Executive Officer

Long-term sustainable development is a key element of our strategy. In 2004, we have shown outstanding sales growth and profit margins from a business that helps create a better world.

From a business point of view, Ericsson made good progress in 2004. The company generated the strongest profitability and largest net cash position in its history. Strong sales growth and significantly improved net income reflected the positive results of our restructuring efforts and the hard work of our employees around the world. At the same time, we continued our work to reduce the environmental impact of our operations and products.

Operational performance	2004	2003	Performance
Net Sales (SEK billion)	132,0	117,7	+12%
Operating income (SEK billion)	28,9	-11,2	From loss to profit
Operating margin (as percent of sales)	21.9%	-9.5%	+30 percentage points
Return on equity (percent)	27.6%	-16.2%	
Net cash (SEK billion)	42.9	27.0	Positive cash flow

Efficient Use of the World's Resources

Long commitment to sustainability

In 1876, Lars Magnus Ericsson opened a small workshop in Stockholm, Sweden to repair telegraph instruments. Ericsson soon recognized the great potential of voice-based telecommunications and realized that he could improve the technology.

Today, Ericsson has over 50,000 employees and is a major supplier to most of the world's leading mobile operators and many of the world's leading fixed-line operators.

Ericsson-supplied network equipment connects some 650 million subscribers in more than 140 countries. In addition, we manage networks serving more than 35 million consumers on behalf of a number of network operators around the world.

We invest heavily in R&D and use our intellectual properties to actively promote standardization and open systems.

We have long demonstrated our commitment to sustainability and act as a responsible member of the global society by contributing positively to the communities in which we operate.

Telecommunications technology is our core business, enabling more efficient use of the world's resources while contributing to social development and economic growth.

Mobile network equipment consisting of radio base stations, switching centers, service application nodes and other nodes for billing and operations support, provide the bulk of our sales. We provide services for network rollout, operations and revenue generation, which represent about one-fourth of our sales.

We also provide products for special applications within mobile technology platforms, enterprise, cables, power modules and defense radar systems. In addition, our Sony Ericsson Mobile Communications joint venture offers consumers a range of phones and other mobile devices.

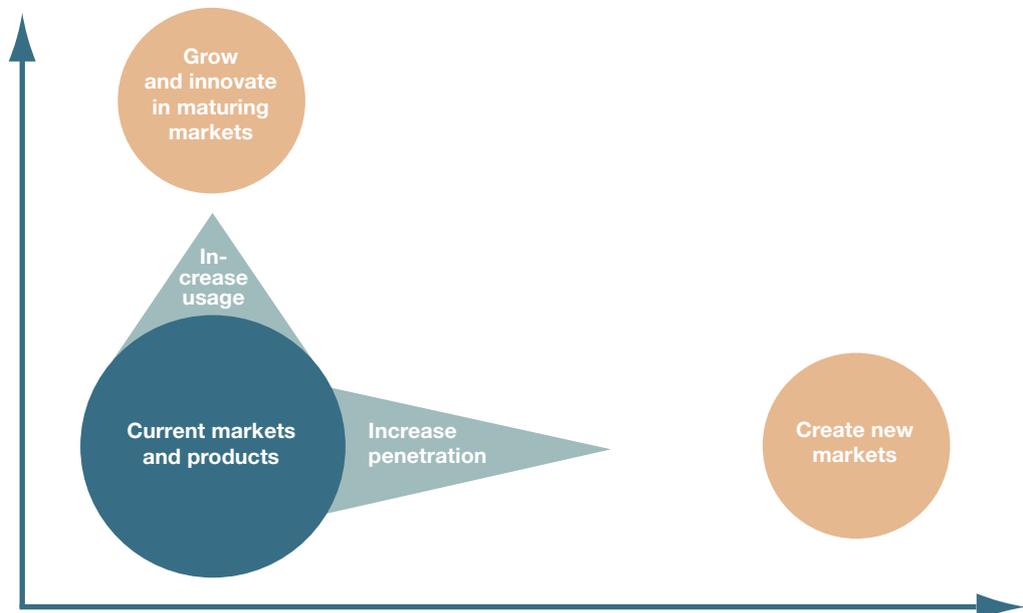
Business drivers

The benefits of mobile communications are compelling and create robust demand drivers. People are always on the move and yet want to be in touch no matter where they are. As consumers, we don't want to worry about the technology; we just want the service to be easy to use and affordable. This consumer-led demand is driving the evolution of telecommunications toward one seamless network, where we can reach whoever we need, whenever we want.

Ericsson is driving growth

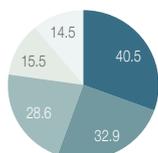
The operator business growth has two dimensions:

- to increase usage in current markets
- to create new markets and increase penetration

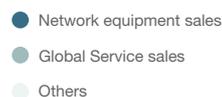
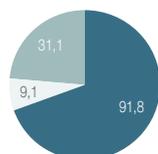


Sales by market area

Balanced geographic diversity (SEK billion).

**Sales by product area**

Network equipment provides the bulk of our sales (SEK billion).



The continued growth in the number of mobile subscribers as well as increased usage of mobile communications is driving our business. We expect the number of active mobile subscriptions will soon exceed two billion, probably approaching three billion by the end of this decade. Almost all of these new subscribers will come from emerging markets where the availability of affordable mobile communications plays an essential role in building a sustainable economy. While more developed markets currently have significantly higher mobile subscription penetration, mobile phones are involved in less than 25 percent of voice calls in these markets.

Mobile broadband Internet services represent an opportunity where the growth potential is also remarkable. We believe that people will increasingly use their mobile phones for non-voice services such as listening to music, watching TV, surfing the web or accessing e-mail. Delivering all of these services in a cost-efficient and high-quality manner requires increasingly sophisticated and higher-capacity network technology.

The concept of seamless telecommunications is a simple and attractive idea. It is also a major technical challenge that requires expertise in all relevant technologies and the ability to make them work together efficiently. This greater technical complexity is increasing demand for our network development skills and specialist services. We have long provided services to design, build, integrate, optimize and operate networks on behalf of our customers. Such services are becoming an even more important part of our business as operators are increasingly seeking ways to reduce their costs and time-to-market for new services.

Business strategy

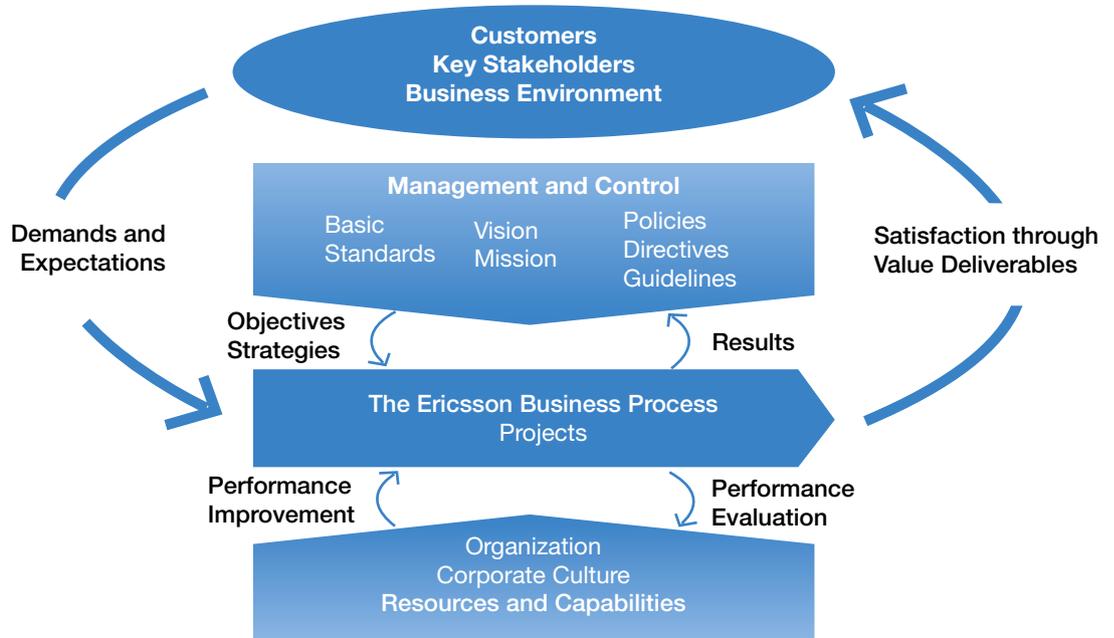
We believe in an ‘all-communicating’ world: voice, data and images conveniently communicated anywhere and anytime, increasing both quality of life and productivity while making the world more resource efficient.

We are shaping the future of broadband mobile communications through continuous technological leadership. We strive to be the prime innovator of our industry, driving the future of advanced communication and helping our customers to be the most powerful communication companies in the world.

Core values – how we act: Professionalism, respect and perseverance are the foundations of the Ericsson culture, guiding us in our daily work, both in how we relate to people and how we conduct our business. See chapter ‘The way we work’.

Strategic approach:

- Lead market development through innovation and technological leadership.
- Leverage our economies of scale to develop superior products and services, and thereby offer our customers competitive advantages.
- Establish operational excellence as a basis for sustainable and best-in-class operating margins.



EGMS - the Ericsson Group Management System

An accurate and valid management system is a prerequisite for Operational Excellence.
 The management system is valid for all Ericsson's operations and is based on Ericsson Business Process (EBP); 'value flow' of our operation, i.e. how market changes and customer needs are converted into business fulfilment for our customer.

The Ericsson Group Management System

The Ericsson Group Management System is a group-wide framework that covers both the operational and legal dimensions of the company. To ensure consistent, accurate and timely information is readily available, our management system focuses on the 'value flow' of our business by defining a common set of elements for visualizing and managing our activities. Roles and responsibilities, organization, processes and other characteristics vital for Operational Excellence are included. It also provides a practical framework for addressing new management requirements as they arise.

We use a balanced scorecard as a framework for translating strategic objectives into a set of performance indicators. These performance indicators are distributed among a few vital perspectives: customer, competition, internal efficiency, financial and employee. These scorecards are regularly updated and communicated throughout the organization. We also use the balanced scorecard as a management tool to:

- Clarify and track progress towards goals.
- Align departmental and personal goals to company goals.
- Link strategic objectives to long-term targets.

Risk management

Our approach to risk management leverages the diversity of our business activities and balances central coordination with well-defined risk-management responsibilities within each operational unit. Systematically identifying risks, assessing the probability

of occurrence and quantifying the potential consequences helps us understand the company's risk exposures and take actions that will reduce or eliminate potential damages while minimizing total costs.

We broadly categorize risks into financial and operational areas. Our financial risk exposures and risk-management actions are described in our Annual Report 2004. Please refer to the Board of Directors' report and Note 22 to the Financial Statements. Certain other risks are described under 'Risk Factors'.

Our operational risk-management framework is based on the following principles, which apply universally across all business activities and risk types:

- An operational unit is accountable for owning and managing each risk.
- Risk management is an integrated part of the Ericsson Group Management System.
- Risks are dealt with on three levels: strategy process, annual planning and by transaction (customer bid/contract, acquisition, investment, product development project).
- Management is performed through directives, policies and process tools, with decisions escalated according to a well-defined delegation of authority.

A Security and Risk Management Board addresses general risk-management issues and insurance coverage. A central security and risk management unit coordinates management of certain risks, such as business interruption, information security/IT risks and physical security as well as insurable risks. Our Crisis Management Council deals with ad-hoc events of a serious nature.

Corporate Governance

Key aspects of our corporate governance are outlined below. More information is included in our Annual Report 2004 available at www.ericsson.com/investors.

The Board of Directors: The Board of Directors is ultimately responsible for the organization of the company and management of the company's operations. The Board has assigned the day-to-day management of the company to the President/CEO under its supervision.

The work procedures of the Board of Directors explicitly designate how various tasks, roles and responsibilities are distributed among the Board and its committees as well as between the Board, its committees and the President/CEO.

A significant amount of authority and responsibility is assigned to local management for tasks relating to daily operations. Governance and oversight is made through steering boards and through the Ericsson Group Management System, with decisions escalated according to a well-defined delegation of authority.

Nine of the 12 members of our Board are elected by shareholders at each annual general meeting for a term of one year. The other three members and their deputies are appointed by the trade unions. While shareholders may elect the President/CEO to the

Board of Directors, as is currently the case, the President/CEO is prohibited from serving concurrently as chairman.

Members of the Board and the President/CEO are not allowed to participate in decisions regarding agreements with the company where they have a material interest or potential conflict of interest, either directly or indirectly via third parties.

The Board meets frequently and all members participate, with very few exceptions, in every Board meeting. To the extent possible, each director is also present at general meetings of shareholders.

Evaluation of the Board work: On at least an annual basis, the Board's work procedure is reviewed by the Board and revised when deemed appropriate. The Chairman of the Board has discussions with each Board member to evaluate the Board's work and its work procedures. The Board, exclusive of the people being reviewed, evaluates the performance of the Chairman and the President/CEO.

Independence: Eight of the 12 members of our Board are independent of Ericsson and its operational management. The President/CEO is the only management representative and the remaining three members are employee/trade union representatives. All shareholder-elected members of our Board committees – the Audit Committee, the Finance Committee and the Remuneration Committee – are independent.

Each shareholder-elected director who is also an Audit Committee member qualifies as an Audit Committee expert. In addition, an external expert adviser has been engaged to assist and advise the committee.

The shareholders elect the independent, external auditors for a period of four years. The auditors report to the shareholders at every annual general meeting.

Organization: Our operational organization is built around a structure of centralized business units responsible for the delivery of products and services to decentralized market units that are responsible for local sales and customer support. A separate R&D organization develops products and performs research on behalf of the business units. Several group functions are used to perform tasks pertaining to certain group-wide matters that are not naturally suitable for a specific operational unit.

Organization for Corporate Responsibility work: We manage Ericsson's Corporate Responsibility activities through a cross-functional competence network.

To secure a focus for expertise globally and to facilitate cooperation on common themes across Ericsson, we have created a competence network of people drawn from relevant parts of the organization. A working group consisting of key group functions and representatives from the business operations coordinates this cross-functional competence network.

Ericsson and its Stakeholders

Stakeholder engagement is essential for Ericsson for promoting and supporting sustainable development. We believe that interactions with stakeholders should be conducted with integrity and be regarded by all participants as fair and equal. These concepts are fundamental to the way we operate as part of a larger community.

Our stakeholders are those groups who affect and/or are affected by our operations and activities. We systematically identify relevant stakeholders, who comprise a broad and diverse group of interests.

Ericsson stakeholders

The following groups have been identified as Ericsson stakeholders:

- Customers
- Employees
- Suppliers
- Shareholders and investors
- Government Authorities
- Industry and Financial analysts
- Press and other media
- Society and non-governmental organizations
- Special interest groups
- Regulatory and standardization bodies
- Trade unions

To engage our stakeholders, Ericsson utilizes the following methods for communications and interactions:

- Company representatives have an active role in public forums in areas affecting our operations and activities such as regulatory issues and standardization.
- Management regularly briefs employees about the company's results and plans.
- Investors, financial analysts, industry analysts, press and other media are also regularly informed of our performance, prospects and strategies.
- Shareholders have the opportunity to raise questions regarding the development of the company at an annual general meeting. The Board of Directors, the executive management team and the external auditors are present to answer such questions.
- Shareholders and other interested parties may communicate directly with the Board of Directors or executive management independent of the annual general meeting.

In addition to regular meetings, briefings, presentations, advertising and other communications with our various stakeholders, information is freely available on our website at www.ericsson.com.

Confidence builds sustainable relationships

Establishing a good level of understanding and trust with our stakeholders is essential for developing mutually beneficial and sustainable relationships. We believe that investors, analysts and others that make use of our public disclosures must have confidence that the information we provide is timely, complete, relevant and accurate.

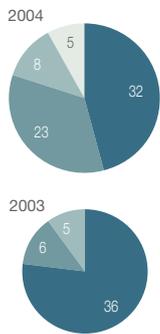
Stakeholders must also trust that information from Ericsson is provided on a fair and equal basis. Our aim is to communicate our strategy and results in such a way that stakeholders and other interested parties can gain sufficient understanding of how our company works, our operational performance, our prospects and the risks that these opportunities may not be realized.

Contributing to the Global Economy

Our activities have an economic effect on individuals around the world, not only for employees of Ericsson and our suppliers, but also for the many millions of people who use our products and services. We interact with a wide range of stakeholders, such as customers, employees and suppliers, to generate revenue. Our contributions to the economy reflect the value that flows through our operations.

Distribution of value 2004 and 2003

Generated value increased by 25 percent 2004, compared to 2003 (SEK billion).



- Employees
- Retained earnings
- Shareholders and bondholders
- Governments

A measure of the wealth created by our activities is the amount of value added to the cost of raw materials, components and ready-made products and services that we purchase. The statement below shows the monetary flow generated by our activities and how the generated value is distributed to certain of Ericsson's stakeholders including employees, investors and the community.

VALUE-FLOW STATEMENT	2004 ¹⁾ SEK m.	2003 ¹⁾ SEK m.
Net Sales	131,972	117,738
Other operating revenues and costs	2,617	1,939
Investment Income ²⁾	5,859	3,391
Payments to suppliers and other operational costs	49,654	57,297
Amortization & depreciation	4,797	7,795
Payments to employees	32,356	36,264
Payments to governments	5,228	n/a
Payments to shareholders and bondholders	8,114	4,859
Retained earnings	23,347	6,193

¹⁾ For comparability the 2004 numbers are not adjusted for IFRS

²⁾ Interest income plus share in earnings of JV and associated companies

Economic impacts

The total economic contributions of our business activities can be divided into direct and indirect impacts. Direct impacts are traditional financial indicators and measure the monetary flows between the company and our key stakeholders. Indirect impacts are contributions that may not be visible in financial statements and measure the benefits arising from our activities within the broader economy.

Employment: With an employee workforce of more than 50,000, Ericsson is one of the largest employers in our industry. We estimate that each employee has two to three dependents. This implies that between 150,000 and 200,000 people benefit from employment at Ericsson. In addition to our permanent employees, we also employ a

varying but significant number of temporary and contract employees.

In 2004 total wages and salaries including employee-related costs such as pension contributions and social-security expenses amounted to 25 percent of our net sales.

Average number of employees and remuneration per geographical region			
	Average number of employees	Total wages, salaries and benefits paid (SEK m.)	Per employee (SEK)
Western Europe	32,742	22,843	697,670
Eastern Europe, Middle east and Africa	3,024	1,056	349,210
North America	4,522	3,717	821,210
Latin America	2,484	1,008	405,800
Asia Pacific	8,970	3,731	374,220
Total	51,742	32,356	626,180

Procurement: Our procurement activities contribute significantly to the creation and support of a number of jobs. Roughly 38 percent of net sales was spent on raw materials, components, ready-made products and services of which the majority was paid to locally based companies in the regions associated with our suppliers.

Interest and dividends: We paid our shareholders and bondholders a total of SEK 8.0 billion during 2004. This was equally split between dividends paid to shareholders and interest paid to bondholders.

Taxes: Taxes contribute to the development and maintenance of various governmental responsibilities including education, healthcare and infrastructure development. Ericsson is a significant source of revenue for governments in the countries where we operate. More than SEK 5 billion in taxes was paid to these governments in 2004.

Investments: Developing telecommunications technology requires a significant amount of time, money and human resources to be invested in R&D projects. Furthermore, network build-out also ties up significant amounts of capital during the interval between start of a project and final acceptance by the customer. During 2004, we invested SEK 21 billion in R&D and SEK 2.5 billion in capital expenditure.

Providing telecommunications infrastructure equipment has been a source of foreign direct investment (FDI) to many countries. FDI is important in that it not only creates employment and adds to the economic health of a nation, it also creates a platform from which the transfer of knowledge, skills (human capital), technology and global best practice can be achieved.

Institutional investors who manage personal savings, large pension and retirement funds represent over 80 percent of the company's equity ownership. This means the financial performance of Ericsson as a company contributes to the savings and retirement benefits of many individuals throughout the world.

Indirect employment: Our procurement activities contribute to the creation of employment opportunities and income for many people around the world. This, in turn, supports local communities and the broader economy where an increase in consumer spending, for example, creates and supports additional jobs.

Communication for All

Mobile communication can create value and increase quality of life. This is the essence of Ericsson's vision of an all-communicating world and the basis of our 'Communication for All' business strategy aiming specifically at emerging markets.

Over the past decade, developments in electronics, computers, telecommunications and broadcasting have been rapid and spectacular. For many people, this has led to a new era of social and economic change. However, more than two-thirds of the world population does not have affordable access to either voice or data communication.

The benefits of the digital age have not filtered down to the majority of people in underdeveloped areas. Most of these people are poor and many live in rural regions. Increasing capacity and coverage to reach more users requires extra capital and operating expenses. This so called 'digital divide' is a serious problem that needs to be addressed.

Mobile telecom – necessary for 'bottom-up' development

Mobile phones are key to eliminating the digital divide. They do not rely on a consistent electrical supply, and can be used by people who cannot read or write. Phones are widely shared and rented out by the call, for example by the 'mobile ladies' found in some Bangladesh villages. Mobile phones are used to make cashless payments in a number of African countries, so mobile phones are becoming a tool not only for communication but also for financial transactions and to conduct commerce.

Even though the number of phones per 100 people in these emerging markets is much lower than in the developed world, they can have a dramatic impact: Reducing transaction costs, broadening trade networks and reducing the need to travel, are just some of the benefits. As a result, consumers in underdeveloped countries often spend a larger proportion of their income on telecommunications than those in more developed ones.

A socioeconomic investigation in rural Tanzania

Ericsson, together with United Nations Development Program (UNDP) and the Swedish International Development Agency (SIDA), has taken part in a socioeconomic investigation in several districts in Tanzania, which has interviewed people in non-connected villages. A survey which assessed the demand, willingness and ability to pay for ICT (information and communication technology) access and services verified a number of assumptions, some of which are:

Mobile ladies:

Rural villagers in Bangladesh can afford a mobile phone collectively, through a 'mobile lady' who purchases a mobile phone kit and becomes a phone service operator, charging the rest of the village for calls.

Mobile communications in Tanzania:

- 97 percent knew about mobile phones
- 50 percent have used mobile phones

- The demand for improved means of communication in poorer areas is clearly expressed and the awareness and need for mobile-phone operations is well understood.
- Rural people, institutions and business owners already have considerable need for communications with the outside world, in particular for contacting relatives in urban areas and for improved business.
- Considerable costs and time are already incurred for these purposes.
- Locally adapted services are needed, especially money transfer and credit possibilities.
- People are willing and able to spend significant amounts on telecom services.
- Real-time information on market prices of agricultural goods is very high on the list of required services.

Meeting the demands of emerging markets

Meeting the demands of emerging markets requires a different approach. It is possible today to provide low-cost and sustainable telephony access to people living in underdeveloped areas, improving quality of life by contributing to social and economic development. To do this Ericsson has defined a new way of approaching markets and created a comprehensive set of solutions and services to lower the entry hurdles for operators entering this more or less untouched market. This set consists of several components, all selected for low cost of ownership and making telecommunication affordable for all:

- Managed Capacity, where the operator buys capacity and coverage in a network while Ericsson operates the network at a predictable cost.
- Hosting of selected applications where the operator rents services such as SMS or pre-paid from a shared pool instead of owning the services.
- Infrastructure solutions, such as Ericsson Expander, a high-coverage technology that reduces total cost of ownership substantially thanks to fewer sites.
- Capacity Growth solutions, which enable expansion of network capacity, at only a fraction of the initial cost.
- Shared networks, where infrastructure (sites and transmission) as well as operation and maintenance is shared, substantially lowering the costs for all involved parties.
- Financing solutions based on a model that enables widespread risksharing among the involved parties.

The results of the studies performed indicate that there is a significant market opportunity within this segment, but there are also challenges to be overcome. It is apparent that the demand and awareness exist, and that providing these services would enhance everyday life for these people in a socioeconomic sense.

The complexity of the relationships needed and the cooperation between involved parties is greater than in more traditional, developed markets. Employing the outlined approach will however help to facilitate these relationships and maximize the benefits for those involved.

Ericsson Expander Solutions

Ericsson Expander solutions are selected products and services that provide low total cost of ownership, high-quality performance and scalable coverage and capacity. Expander offers cost-efficient buildout for operators addressing low spending users in new markets.

We continuously improve the environmental performance of our products, services and operations

We believe in an all-communicating world. Voice, data, images and video are conveniently communicated anywhere and anytime in the world, increasing quality of life and productivity, making a more resource efficient world possible.

Our environmental policy is based on this mission. It calls for Ericsson to develop, produce, and offer products and services with excellent environmental performance that enable customers to minimize their environmental impact.

Every employee in the Ericsson Group can contribute to Ericsson's environmental commitment and has the responsibility to do so.

The Ericsson environmental policy implies the following commitments:

- Ensure knowledge and consciousness about environmental issues among all employees in order to continually improve environmental impact and prevent pollution.
- Meet or exceed legal and other requirements to protect the environment.
- Use life cycle techniques as a means for determining significant environmental aspects and as a basis for communicating environmental performance of our processes, products and services.
- Use 'design for environment' strategies to control mass and energy flow related to Ericsson's products and services.
- Cooperate with our supply chain in order to ensure environmental control of the inputs to our products and processes.
- Actively communicate the environmental work to internal as well as external stakeholders.

Making a More Resource Efficient World Possible

As one of the major players in the telecoms industry, Ericsson enjoys the benefits of being a strong contributor to the creation of a better world for people to live in. This is because telecommunication by its very nature has the potential to reduce environmental impact, allowing people to communicate over distance and time – instead of using cars or other means of transportation to meet face-to-face.

The ability to transport ideas, not people, will pave the way for a world more environmentally responsible and will improve quality of life for millions of people. The extensive use of adapted wireless solutions will make it possible to meet demands from both the developed and developing worlds. See chapter 'Communication for all'.

Having said that, we recognize that there are environmental consequences connected to our operations, just as there are in any form of industrial activity. We take these concerns very seriously and continuously work to reduce the environmental impact caused by the manufacturing and delivery of our products, as well as by the operation of the products.

The basis for our efforts in this area is to look at the environmental impact of our products from a life cycle perspective. Ericsson has for many years been one of the leading companies in our industry when it comes to life cycle assessments.

CO₂ chosen as indicator

In our LCA studies we have chosen to measure the environmental impact in terms of total life cycle CO₂ per subscriber per year. This is in keeping with our environmental performance measurements, where we have chosen CO₂ as the sole indicator.

The reason for this is that CO₂ emissions are closely linked to fossil energy use, and fossil energy use is closely linked to many other important environmental impacts.

Our results show that most of our indirect CO₂ emissions arise from the energy required to operate our products. The next most significant contributor is our suppliers' manufacturing. Direct emissions from Ericsson activities is only about five per cent of the total life cycle CO₂, but we have indirect control through design and sourcing of most of the life cycle.

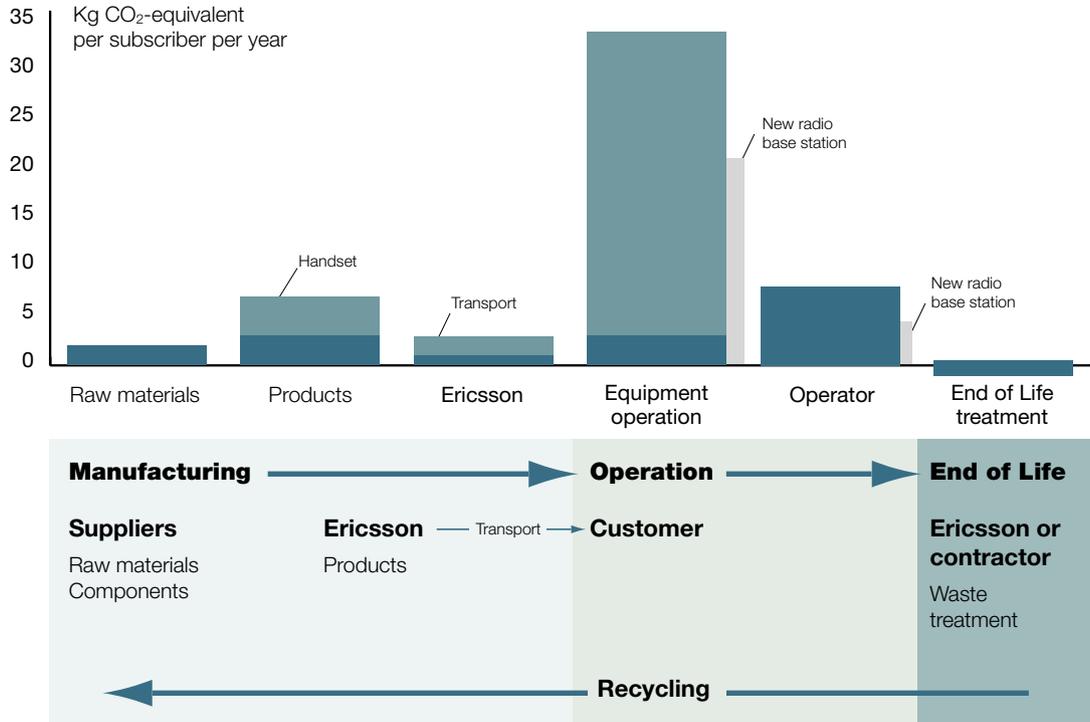
Life cycle assessments

Environmental life cycle assessment (LCA) is a technique for assessing the environmental aspects and potential impacts associated with a product or a service. LCA studies the environmental impacts throughout the whole life cycle of the study object, from raw material acquisition through production, use and disposal.

Ericsson has produced what we believe is the most thorough LCA for a 3G mobile system. Independent scientists have reviewed our 3G LCA study to ensure that the methods used are scientifically and technically valid. We also verified that the study was in full compliance with relevant ISO standards.

The results of the study are directly applicable only to the reference system, but we are convinced the results can be interpreted more broadly, given the fact that the studied system represents a world average from the largest global supplier of 3G systems. From this study, we can see that environmental impact varies significantly from one life cycle stage to another. The manufacturing stage accounts for about 22 percent of the total life cycle impact.

It is in the operational stage we find the most environmental impact. This stage alone accounts for approximately 78 percent of the total life cycle impact. About 60 percent



of this stems directly from the operation of telecom equipment, while about 18 percent stems from operator activities.

End-of-life treatment in the studied 3G system actually gives a positive environmental impact of 3 percent in the end-of-life stage. This positive impact stems from the environmental credit awarded when material is returned for recycling.

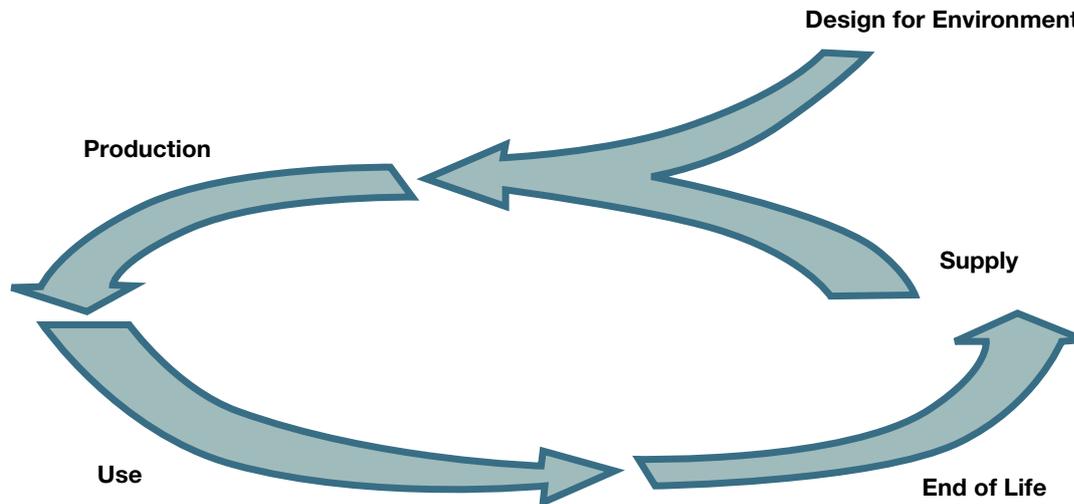
CO₂ emissions greatly reduced

The total effect of Ericsson’s efforts to reduce its environmental impact – again measured in CO₂ emissions – is promising. In each of the past three years, we have enhanced our portfolio with new products that will reduce our total CO₂ emission, over their lifetime, by 10 percent compared with the prior year’s product portfolio.

Improvements through Design for Environment

One of the cornerstones of Ericsson’s environmental efforts is our ‘Design for Environment’ program, which gives our product designers detailed guidelines for designing products.

Design for Environment is a ‘full-circle’ plan with a strong focus on improving the energy consumption of our products. Apart from energy consumption, the plan also covers areas such as the use of substances and raw materials in our products; efforts to reduce the volume of products; and end-of-life treatment.



The life cycle perspective

We look at environmental issues with a life cycle perspective – covering all aspects from design to end-of-life treatment of our products.

A resource efficient technology

Wireless communications is a very resource efficient technology. As an example, the present CO₂ emission per subscriber per year corresponds to less than 16 liters of gasoline. An improvement of just a little more than one percent in the energy efficiency of the radio base stations sold during one year compensates for all the fossil carbon dioxide released from all air travel in the whole Ericsson group during the same time period.

More information:

http://www.ericsson.com/sustainability/designing_for_the_environment.shtml

Read the summary report of the study "Life Cycle Assessment of a Third Generation (3G) System at Ericsson" at: http://www.ericsson.com/sustainability/pdf/Ericsson_3G_LCA_study.pdf

Energy Efficiency

Ericsson's main focus in decreasing the environmental impact of its products in the operational stage is to work continuously to improve the energy efficiency of our products. The (electric) energy consumption of the radio base station (RBS) sites in operation is by far the most significant environmental impact factor for all wireless telecom systems. The result of Ericsson's energy efficiency efforts is encouraging. The energy efficiency of the current products is far better than the first generation's. As an example, our new RBS nodes consume 40 percent less energy than the nodes we studied in our first LCA study in 2002.

Reduction of Hazardous Substances

The European Union (EU) has issued a directive on Reduction of Hazardous Substances (RoHS). This directive states that certain materials identified as hazardous substances must not be present in "new electrical or electronic equipment put on the market" from July 1, 2006. In addition to the EU, many other countries, including China, are instituting similar regulatory measures.

The directive bans the use of cadmium, lead, mercury, hexavalent chromium, polybrominated biphenyls (PBB) and polybrominated diphenyl ethers (PBDE) in electrical and electronic equipment.

Ericsson is well prepared to face the challenges laid out in the RoHS directive and will meet all the requirements in due time for all products. We work continuously with phasing out banned and restricted substances. Experience shows that this process requires time and a systematic approach for every substance to be replaced. We have already taken

More information on hazardous substances at:
<http://www.ericsson.com/sustainability/download/pdf/banned.pdf>

a number of steps and are actively engaged in further measures, including working with suppliers, to ensure compliance:

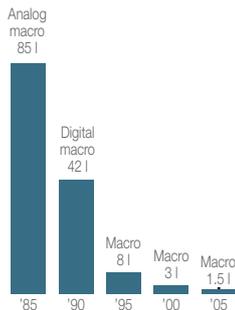
- *PBB, PBDE and mercury*: These substances are already phased out from products
- *Cadmium* is already banned and phased out from most applications. Will be phased out from remaining applications in line with the RoHS directive.
- *Hexavalent chromium* will be phased out in line with the RoHS directive.
- *Lead*: Regarding lead in solder, Ericsson has been conducting studies and tests of lead-free solders and soldering methods for several years. The solder that Ericsson has decided to use instead of lead solder is a tin-copper-silver alloy. This solder has higher melting temperature than tin-lead solder, which means there must be stricter requirements on components to comply with the raised soldering temperatures. Regarding lead in components, requirements are agreed with our suppliers to phase out lead in line with the RoHS directive.

Other substances:

- *Halogenated flame retardants*: Ericsson's ambition is to substitute these substances with halogen-free alternatives as soon as environmentally and technically sound and cost-effective alternatives are available.

RBS dematerialization

While increasing the subscriber capacity, the size of radio base stations has been substantially reduced (liters per active user).



Reducing the mass of products

Reducing the mass (volume and weight) of our products is an important aspect of Ericsson's Design-for-Environment efforts. By reducing the volume and weight of a product in relation to its capacity, processing power and efficiency, we achieve many benefits throughout all life stages:

- *At beginning of life*: Smaller amounts of raw materials required for manufacture.
- *During initial deployment*: Less energy consumed transporting to site; smaller sites.
- *During operational life*: Lower energy consumption by products and systems in use.
- *At end of life*: Easier handling of retired equipment, with smaller masses to be handled. Well-planned logistics ensure that the environmental impact of transporting goods to recycling centers does not outweigh the benefits of recycling.

In recent years, Ericsson's efforts in this area have delivered tangible results. In 1985, an analog macro radio base station required 85 litres of space per active user. Today, 20 years later, our newest line of digital radio base stations requires only 1.5 litres of space per user.

End-of-life treatment: Recycling and disposal of products

Evolving effective end-of-life strategies for business-to-business products is a core part of Ericsson's drive to create a safe and clean environment. Customer and social responsibility as well as legal requirements such as the EU Waste Electrical and Electronic Equipment (WEEE) Directive (2002/96/EC) have prompted Ericsson to develop a

comprehensive solution for the end-of-life return of our old products. This global end-of-life treatment program is called Ecology Management Service.

End-of-life treatment is not only a positive contribution to the environment. It is also a financially attractive activity: after demounting batteries and cooling media, it is now possible to recycle 85 percent of the product weight of an outdoor radio base station in various metals. Among these metals are copper, silver, gold and palladium.

The importance of our suppliers

Good supplier relations, building on mutual trust, are of utmost importance. From the environmental impact perspective it is very important to communicate clearly to our suppliers about our requirements in various areas. The suppliers specify their compliance with the RoHS directive in contractual agreements as well as in materials declarations on the products/components that they provide.

A materials database is used to handle and store the material declarations. This tool allows material summaries at different product levels. Compliance with the Ericsson banned, restricted and observation lists can consequently be checked during the whole product design process.

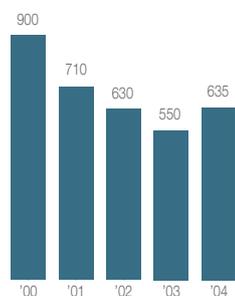
Ericsson's environmental profile

The main sources of fossil energy use within Ericsson are – in order of importance – transport to and from the company; operation of offices and production sites; and work-related travel by air and car. The total CO₂ emission from this direct energy use has slightly increased during 2004. The main reason for this is the fact that air transportation of products has nearly doubled in volumes.

Excluding product transportation, Ericsson's total CO₂ emissions have decreased as the number of employees has decreased – there is a close correlation between these figures. Over the past five years, travel, energy and related CO₂ emissions have decreased. One reason for this is the fact that air travel has been reduced – it is now 30 percent below the 1995-2000 average measured per employee – thanks to travel-restriction programs introduced within Ericsson. A small reduction in energy consumption has been the result of activities related to building operation. Reduction of energy consumption is also an important objective at our production facilities.

Total CO₂ emission

Ericsson's total CO₂ emission has decreased over the years. The increase in 2004 is due to increased transport, as a result of increasing volumes (ktons).

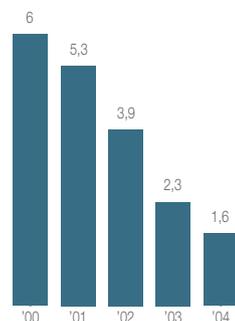


Ericsson environmental indicators (total figures)	2004	2003	2002
Employees			
- Average	51,000	58,000	73,400
- Year-end	50,500	51,500	64,600
Net sales (SEK m.)	132,000	118,000	146,000
Electricity (GWh)	420	580	729
Other energy (GWh)	110	130	146
Indoor area (km ²)	1.5	n.m.	3.2
Land area (km ²)	3.0	n.m.	5.5
Water (Mton)	1.0	n.m.	2.5
Air travel (Mpkkm)	620	650	795
Car travel (Mpkkm)	300	380	470
Air transports (Mtonkm)	500	251	256
Road transports (Mtonkm)	220	110	110
Waste, total (tons)	23,000	27,000	29,900
Production			
Emissions, total (tons)	< 8	10	15
Produced weight (tons)	80,000	75,000	77,500
Produced function (Msub)	400	250	165
CO ₂ -total (tons)	635,000	550,000	640,000
- Office activities (tons)	240,000	310,000	386,000
- Production and transport (tons)	395,000	240,000	248,000

CO₂ emission per subscriber is a good indicator

CO₂ emission per function

The emission per subscriber has decreased over the past five years. (Tons per million subscribers.)



Ericsson believes that the best indicator of our direct emission is CO₂ emission per subscriber, which has been significantly reduced in 2004.

During the past five years we have reduced our direct CO₂ emission by more than 25 percent annually on average. The emission has gone from 6 tons per million subscribers to 1.6.

Encouraging results

During the 1990s, Ericsson dramatically decreased its emission levels. Several factors contributed to this. One was improved emission control, working together with authorities, while another was the installation of cleaning equipment and implementation of closed systems in manufacturing. Since 2000, outsourcing of our production, especially of mechanics, components and printed circuit-board production, further reduced our direct emissions. The emissions by our suppliers are indirect emissions, and are covered by the LCA analysis and our Code of Conduct. Among the results we have reported are:

- Emissions to air of halogenated hydrocarbons and solvents were reduced from about 500 kg (in 1995) to 39 kg (in 2001) when measurements stopped.
- Metal emissions to water have been reduced from about 600 kg (in 1995) to 20 kg (in 2002) when measurements stopped.
- Total waste has been reduced from about 50,000 tons (in 1995) to 23,300 tons (in 2004).

We have stopped measuring our air and water emissions as they have been reduced to levels deemed insignificant by environmental authorities. We continue to measure waste on an annual basis, see table above.

Managing our Supply Chain

Through our Code of Conduct, Ericsson protects the human rights of people working within the company as well as those working for our suppliers and subcontractors. Adherence to the Code of Conduct is mandatory – without exception.

As a global leader in the telecom industry, Ericsson must always be associated with respect for human rights, internationally acceptable working conditions, and environmentally friendly business practices within our entire supply chain.

We want our suppliers to embrace voluntarily our conviction that good corporate social responsibility practices are an integral part of sustainable business development. Significant change is not usually achieved in a single step and our policy of 'continuous improvement' is based on mutual trust and cooperation. We are prepared to engage on a long-term basis with suppliers that show a willingness to improve.

Although cultural differences and other relevant factors are taken into consideration, we will not compromise on our fundamental requirements, nor will we hesitate to carry out our corporate responsibilities.

Supply chain management system

Social, ethical and environmental considerations are an integral part of our decision-making process, along with risk management, business planning and product development. Our management system follows a standard model that can be described as listening, planning, acting, measuring and reporting, and is designed to achieve ongoing improvements.

To prioritize and focus our activities, we perform an assessment that identifies at-risk countries and commodities.

Supporting improvements

A Code of Conduct based on the UN Global Compact has been developed and communicated to suppliers starting in 2002. The Code of Conduct has been agreed with all of our direct suppliers.

With the initial implementation completed, we are now moving into the monitoring and follow-up phase. During 2004, we performed a number of audits and as a result have developed a profile of the most common deficiencies. These deficiencies have not been found within our direct suppliers but rather within their sub-supply chains.

These deficiencies are typically a result of a lack of understanding of what is required rather than deliberately avoiding compliance. According to our Code of Conduct, it is the responsibility of our suppliers to ensure that their employees and their sub-suppliers are duly informed about, and comply with, our code.

However, we realize that we must support our suppliers in their efforts to improve ethical and environmental performance within their supply chains if they are to live up to our high standards. Our findings will serve as the basis for an education and training program that will be offered to our employees as well as selected suppliers.

We also realize that we are not the only company facing these issues. To this end, we are also working through industry forums such as the Global e-Sustainability Initiative (GeSI).

Key achievements during 2004

- Established a Corporate Management forum to manage our sourcing activities better.
- Educated and trained internal Supplier Code of Conduct auditors.
- Arranged Code of Conduct seminars for Ericsson employees and suppliers.
- Conducted supplier Code of Conduct audits for selected commodities.
- Conducted Code of Conduct audits in the supply chain in cooperation with a direct supplier.

Key objectives for 2005

- Integrate our ethical and environmental requirements process within the Ericsson sourcing process.
- Ensure that all frame agreements with new suppliers include requirements for ethical and environmental compliance.
- Review existing agreements with suppliers and renegotiate if our ethical and environmental requirements are not fully covered.
- Provide education and training in prioritized areas based on the findings of our audits and targeted at high-risk suppliers.
- Further expand our supply chain audits and follow-up activities.

Plans for 2006

- Ensure that all of our suppliers comply fully with our Code of Conduct.
- Further educate and train management in all business units and market units within Ericsson about our requirements for human rights, basic working conditions and environmental performance.

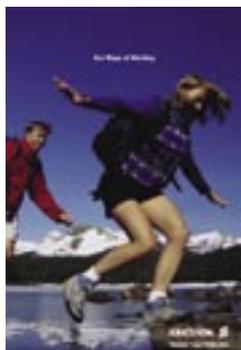
Ericsson's ways of working are based on a core set of values and principles. Together they shape the way our stakeholders see us. The way we work also supports sustainable development.

Our Ways of Working

During 2004, all Ericsson employees received 'Our Ways of Working' – a brochure summarizing the company vision, values and guiding principles and explaining our step by step approach to Operational Excellence.

Ericsson's aim is to foster an organization and a culture that support the company's strategies, and to meet the future with a workforce that is business-minded, passionate, responsive and accountable.

Our employees must all understand clearly what our company stands for and where our opportunities lie. We can then consistently apply that knowledge to solidify our position and pave the way to growth.



Ericsson as an Employer of Choice

About 90 percent of employees took part in Ericsson's employee survey for 2004. This very high response rate is an indicator of the high degree of employee engagement in our company. It is a result of our long-term efforts to involve all our employees in the company's undertakings.

Facts on Ericsson employees 2004:

- 75** percent (38,081) men
- 25** percent (12,453) women
- 36** is the average employee age
- 600** employees (approximately) are working on international assignment
- 10** years is the average employment time with Ericsson

Empowerment Index

focuses on motivational areas. An empowered individual acts on his or her own initiative to achieve the company's goals.

Human Capital

is the employees' contribution to adding value for our customers and meeting business goals. It is the ability, behaviour, effort and time they contribute to the organization.

The Human Capital Index

is an aggregated figure that measures the value creation. Human Capital Index includes sub-indices:

- Competence
- Motivation
- Responsibility and Initiative
- Authority
- Co-operation
- Process and organizational efficiency

Ericsson has been using employee surveys as a means to measure employee empowerment and the human capital index for many years. The survey is an important part of our efforts to be a good employer, letting us collect the thoughts and opinions of our employees, and giving us in-depth understanding of our employees' opinions in a wide range of areas.

During 2004, we carried out this survey simultaneously around the world. The 90-percent response rate was a very high level for such a survey.

The results are communicated by the unit managers and discussed with the employees. Based on these discussions, line managers establish action plans to address the improvement areas identified in the surveys. We also share best practices between units through our internal human resources networks.

Role model in health and safety

As a Swedish company, Ericsson has high standards and high requirements when it comes to the workplace and working conditions. Internationally, it has been our policy to create similar conditions as in Sweden, even if local legislation does not require us to do so. Following this policy, we have created an image as a role model for other companies in many countries, thereby giving a significant contribution to the global development of working conditions and working environments.

We introduced ergonomic office assessments many years ago in order to broaden the view of the working environment from the traditional focus on production facilities to encompassing the entire company. Based on these assessments, we have improved our office environments and reduced the occurrence of work-related health issues for our staff.

The value of diversity

We take pride in being a multi-cultural and highly diversified company. Operating in more than 140 countries, we can take advantage of all the richness of backgrounds and cultures that this implies. We have learned that the presence of different cultures, races and genders within the company is of great value to us.

Code of Business Ethics and Conduct

Key features of the Code of Business Ethics and Conduct include:

- Complying with laws, rules and regulations (including insider trading laws).
- Protecting Ericsson's confidential and other proprietary information and that of its customers and vendors.
- Protection and proper use of company assets.
- Treating Ericsson's employees with mutual respect.
- Dealing with conflict of interest.
- Promoting full, fair, accurate, timely, and understandable disclosure in financial reports and other public communication.
- Protecting our environment.
- Encouraging the reporting of any unlawful or unethical behavior.

Ericsson has a long tradition of providing opportunities for employees to work in other countries. This practice greatly increases individuals' understanding of foreign cultures and of how to do business there. It also helps the employee develop professionally and personally, while at the same time fostering cross-cultural teamwork.

Increasing the number of non-Swedish managers and promoting female employees in their careers is greatly prioritized in our company. We are constantly reviewing our resources in order to improve in these areas and we will continue to strive for a more diversified next generation of managers and employee base.

Our company has clear and far-reaching policies against discrimination. These are a respected part of our company culture. Our policies against discrimination are applied in a broad perspective – we mean that employees should not be discriminated against because of age, race, gender, religion, sexual orientation, marital or parental status, political opinion or ethnic background. It goes without saying that we always comply with local laws and regulations in this area as well.

Sharing the rewards

As a global company, Ericsson cannot rely on one single policy or model for compensation and remuneration. Our companies around the world develop local remuneration programs and compensation packages that are competitive in their respective markets and geographic areas, while always complying with local legislation on minimum wages and similar issues. While compensation tends to be local, we have two significant programmes which are global in nature:

Short Term Incentive plan; for all managers world-wide. Our STI plan rewards achievements of specific targets set at business and team levels. It defines a global norm for incentives as a flexible part of remuneration to be applied across the company.

Long Term Incentive plans; designed for all employees. These are specifically targeted at uniting the company into one team, focused on the same overall objectives. During 2004, our incentive schemes included a Stock Purchase Plan which encourages long-term commitment by making our employees co-owners of the company.

Each unit within Ericsson owns its own results and is committed to continued improvement. We use the balanced scorecard as a tool to measure our performance – business results and internal efficiency – globally. These are important factors that help us achieve operational excellence within all parts of our operations. The scorecard results are communicated on a regular basis, and are evaluated against the individual objectives set as a base for variable components of an employee's pay.

Learning as part of daily work

Based on company needs, Ericsson has a global career-development process for key jobs that are critical for business success. Employees are encouraged to take ownership of their own education and careers. A number of programs and resources are available to

Code of Conduct

Areas covered by the Ericsson Code of Conduct:

- Workers' rights, including human rights and non-discrimination, fair wages and working hours
- Safety, including workplace conditions
- Environment, with suppliers required to comply with environmental laws and Ericsson's environmental requirements
- Child labor, based on the child labor code in the UN Convention on the Rights of the Child (article 32.1)
- Monitoring, with all suppliers obliged to inform us about their operations

Our core values

Three Core Values define Ericsson: **Professionalism, Respect and Perseverance**. These values define how we treat each other, our customers and our business partners. In other words, they define our company culture. These values have been shared among Ericsson employees for more than 15 years. They are more valid today than ever before.

guide and support them in their professional development.

Being a technology leader, Ericsson has taken competence development one step further. We believe that training is something the employee needs on a daily basis, and that learning should be integrated into everyday work. To facilitate this, we have built an efficient infrastructure for access to information; we have initiated knowledge networks and communities; and we use modern educational technology.

Based on our customers' needs, we have created a whole new set of web-based learning tools. In the near future, these tools will be available using mobile terminals and 3G technology. Our web-based learning offering includes:

- Collaboration tools for knowledge sharing
- Virtual classrooms
- Introduction courses
- Work instructions
- Customer and internal presentations
- Interactive management training

All employees contribute to Ericsson's brand and reputation

Ericsson was one of the first companies to endorse the United Nations Global Compact. The Global Compact is a voluntary international corporate citizenship network initiated to support the participation of both the private sector and other social bodies. Its objective is to advance responsible corporate citizenship and universal social and environmental principles in order to meet the challenges of globalization. This program encompasses issues relating to human rights, labor rights, the environment and business ethics.

In 2004, every employee received the Code of Business Ethics to read and sign. This code is a set of guiding principles that summarizes some of our fundamental Group policies and directives – governing relationships within the company and with Ericsson's stakeholders. Each and every unit within the company is obliged to follow the Code.

The Code of Business Ethics and Conduct contains rules regarding individual and peer responsibilities, as well as Ericsson's responsibilities to employees, customers, suppliers, shareholders and other stakeholders. Through ethical behavior, all our employees can contribute to one of the company's greatest assets: the trust of our customers.

While the Code of Business Ethics and Conduct is aimed primarily at employees, the separate Ericsson Code of Conduct (see page 21) addresses the behavior of the company itself and that of its suppliers.

Community Involvement

Ericsson is committed to being a responsible member of global society and contributing to the communities in which we operate. Numerous initiatives by Ericsson companies and local employees worldwide support the needs of their communities.

We encourage and empower our employees to make a positive contribution to society and the communities where we work and live. Their contributions are of many kinds, determined by our employees according to local needs. They may, for example be in the fields of health care, social and humanitarian aid, scholarships and other educational support, art and culture, the environment, children's welfare as well as many other charitable activities. There are too many examples to describe for this report. We are planning to establish a web page that will provide more information about specific programs in each country where we have operations. The Company provides support in the form of financial aid as well as other non-monetary contributions, such as matching employee monetary contributions or providing paid time off to perform community activities.

Providing Communications in Disaster Areas

Communication is not only a basic human need, we believe that it is a human right. In times of despair and chaos, we honor this human right. Whenever possible, Ericsson will use its technology, resources and solutions to support those in need.

The Ericsson Response program strives to spread the benefits of telecommunications and information technology. This includes immediate measures when communications are failing, such as in disaster-response operations. It also includes working with projects aiming to take advantage of communications technology in humanitarian programs.

Ericsson Response builds on Ericsson's continuous technology leadership, global reach and proven commitment in response to world disasters. It is designed to work in close cooperation with the International Federation of Red Cross and Red Crescent Societies (IFRC) and the different United Nations (UN) humanitarian organizations.

Emergency networks

In times of disaster, Ericsson teams up with leading disaster-response organizations, providing them with communications equipment, expertise and people to implement and operate the equipment. One example is to provide temporary, standard cellular networks, with or without connections to public networks. The ability of the relief workers to communicate using an emergency network improves the quality and efficiency of the disaster-response operations.

Other activities can include disaster preparedness programs, research for identifying new communications solutions and spreading knowledge and tools to help communities lacking competence and/or resources to benefit from existing communications opportunities.

Employees volunteer for the program

An important aspect of Ericsson Response is the possibility for Ericsson employees to participate as volunteers in the program. In 2004, the program had close to 100 active volunteers who put in a total of 10,000 man-hours of volunteer work, not including local community projects all over the world.

In 2004, Ericsson Response volunteers were deployed in disaster-relief operations, humanitarian operations and disaster-preparedness activities. Emergency mobile communications equipment was deployed in Iran, the Caribbean, Sri Lanka and Indonesia.

Our contribution at disaster sites:

By enabling faster and more efficient communications in disasters through our equipment, services and expertise, we:

- Alleviate human suffering of disaster survivors and their families.
- Raise the IT/telecom knowledge with relief organizations.
- Provide local presence and human and technical networks.

Earthquake in Iran, landslides and flooding on Hispaniola

A major earthquake hit the ancient city of Bam, Iran, in December 2003. Ericsson Response volunteers and colleagues at Ericsson Turkey and Ericsson Iran set up a complete mobile communications system in the area, providing emergency communication to support the relief organizations. Ericsson received the prestigious GSM Association Award in Cannes 2005 for Best Use of Mobile Communications in Emergency Situations for this relief operation.

Serious flooding and landslides struck the island of Hispaniola in May. Thousands of victims and homeless people from the area were reported along the border between the Dominican Republic and Haiti. The newly set-up Ericsson Response team in the Dominican Republic provided support to the relief operations of the International Red Cross (IFRC), the Dominican Red Cross and Télécoms Sans Frontières (TSF).

Civil war in Sudan, hurricanes in the Caribbean

Years of civil war have ravaged Sudan, and with continuous conflict in the Greater Darfur region, the operation intensified during mid-2004. To support the expansion of humanitarian activities, an Ericsson Response volunteer was seconded to the UN World Food Programme (WFP) and joined the information and communications technology team in the Sudanese capital Khartoum.

The disaster-preparedness work carried out by many of our volunteers together with Red Cross delegates at the Pan-American Disaster Response Unit (PADRU) in Panama was put to test when hurricanes Ivan and Jeanne devastated the Caribbean islands. Ericsson Response operated from the Panama office to support Red Cross relief efforts with logistics, telecommunications and distributions of mobile phones to relief workers.

Tsunami in the Indian Ocean

A massive tsunami hit coasts around the Indian Ocean on December 26 2004, leaving hundreds of thousands dead and homeless. Ericsson Response and Ericsson companies all over the world worked hard on helping out by restoring damaged telecommunications and by supporting humanitarian organizations working with the recovery and rescue efforts. To aid the enormous relief operation, Ericsson Response provided communication technology and volunteers to relief organizations in Sri Lanka and Indonesia.

Improved cooperation at disaster sites

In 2004, Ericsson Response's WLAN solution for disaster and emergency response was placed on the agenda for the Working Group for Emergency Telecommunications (WGET) led by UNOCHA, the United Nations Office for the Coordination of Humanitarian Affairs.

The aim is to enable relief organizations to share their communications infrastructure securely. This makes it easier to organize and coordinate humanitarian missions, and communicate and collaborate better among different relief organizations in the field.

New partnerships signed in 2005:

- Agreement with the Swedish Rescue Services Agency, formalizing cooperation in disaster relief operations globally.
- Cooperation agreement with International Federation of Red Cross and Red Crescent Societies in Panama, Dominican Republic and Colombia.

Radio Waves and Health

At Ericsson, we define and test our products to ensure they comply with all relevant safety standards, we develop public information on radio waves and health, and we support independent research to further increase the knowledge about radio waves and health.

Ericsson has been involved in activities related to electromagnetic fields (EMF) for many years, addressing health concerns, research needs and new relevant standards. An EMF steering committee with representatives from senior management and various business units was established back in 1992. Since 2000, EMF is handled by a separate unit within Ericsson Research.

A lot of research on the potential effects of electromagnetic fields on people has been carried out over the past 60 years. In the past 10 years, there have been more than 400 studies related to mobile communications. Based on the large amount of research, the independent expert organization ICNIRP (International Commission on Non-Ionizing Radiation Protection) has published radio wave exposure guidelines. Ericsson's products comply with these and other relevant safety limits and regulations.

This extensive research has been reviewed by public health authorities and independent expert groups. These reviews have consistently concluded that the balance of evidence does not demonstrate any negative health effects associated with radio wave exposure either from mobile phones or radio base stations. During 2004 additional research updates were produced in the UK, the Netherlands and Sweden. The conclusions were in line with previous major reviews including those from the World Health Organization (WHO).

Research support

Ericsson has acknowledged for many years the recommendation from the WHO that additional research is needed to increase knowledge about radio waves and health further. The WHO has established a research agenda with prioritized EMF research. Although we do not conduct our own medical research, we actively support additional research before the WHO starts a revised EMF risk assessment, planned for 2006–2007.

We are co-sponsoring in excess of 50 different ongoing projects in Europe, the USA and Asia. The total cost of these multi-financed projects exceeds EUR 40 million. The sponsorship goes mainly through the Mobile Manufacturers Forum (MMF), but also through the German Research Association for Radio Applications (FGF) and other channels.

Research projects that we currently support include the WHO-coordinated international INTERPHONE project on whether there are any potential links between tumors in the head and neck and the use of mobile phones. Results from two of the 13 participating countries

were published in 2004. The remaining results and the final report are expected to be published within the coming year. Another Ericsson-supported project, Perform-B, which was set up to replicate a number of previous controversial cell studies related to cancer and memory effects, was completed in 2004 and reported no adverse health effects.

In 2004 a new mobile communications and health study was started, examining the possible effects of radio waves on brain activities, sleep, cognition and some other physiological parameters in human volunteers. Ericsson co-sponsors this study and the results are expected to be available in 2006.

Information initiatives

Ericsson is committed to providing adequate information about health and safety that help answer questions people may have on radio waves and health.

In 2004, we expanded our EMF information even further. Several new fact sheets covering 3G, Bluetooth and mobile phones were published on our website. Information on the radio wave exposure around some typical base station antenna installations was also made available in a new brochure.

During the past year, a course on exposure from radio base stations intended for operator-customers and Ericsson personnel was developed. The course includes practices for installations and stakeholder consultation.

We also play an active role in information and communication activities within the Mobile Manufacturers Forum (MMF). We also support mobile network operators in their dialog with different stakeholders when installing radio base stations and antennas.

We will extend our EMF information portfolio further by publishing fact sheets in languages other than English to allow more people to understand about radio waves and health.

Product compliance

All Ericsson's products are designed and tested to comply with the relevant EMF standards and regulations. One of our major goals is to obtain global harmonization of EMF exposure and compliance assessment standards. Ericsson takes part in international standardization activities and standards harmonization is well under way. The ICNIRP guidelines have been adopted in many countries around the world and the International Electrotechnical Commission (IEC) is now the leading organization developing compliance assessment standards.

In 2004, the IEC completed development of an international standard for SAR (specific absorption rate) compliance testing for mobile phones. The test procedures already in use at Ericsson conform to the new standard.

Radio frequency safety information and guidelines, including practices on health and safety for installations, operation and maintenance, are also provided in the documentation for new Ericsson base station products.

More information:

Information regarding radio waves and health is available at: www.ericsson.com/health

Communications on Progress

As a supporter of the United Nations Global Compact, Ericsson is committed to incorporating the 10 principles covering human rights, fair labor practices, the environment and anti-corruption into its daily operations.

Through our policies and actions, we have incorporated these principles within Ericsson. However, there are still issues within our supply chain that require participation in wider coalitions in order to establish sustainable solutions. To this end, we are working through industry forums such as the Global e-Sustainability Initiative (GeSI).

Status and progress on the Global Compact Principles:

- #1 “We require adherence to the United Nations Universal Declaration of Human Rights within our spheres of influence”**
- ✓ Codes of Conduct established to protect the human rights of people working for Ericsson and our suppliers.
 - ✓ Implementation of the Code of Conduct initiated in 2002. All first tier suppliers have agreed to comply.
 - ✓ A code of Business Ethics and Conduct for all employees, directors and officers of the Company implemented during 2004 – and translated into 20 languages. All employees worldwide received the document to read and acknowledge their agreement to adhere to the principles outlined.
- #2 “We work to ensure that we are not complicit in any human rights abuses”**
- ✓ Corporal punishment, physical or verbal abuse or other harassment and any threats or other forms of intimidation are prohibited.
 - ✓ There are ongoing communications to inform all Ericsson employees about our social responsibilities and associated activities.
 - ✓ We believe the management of all of our operations and most of our employees are already familiar with our social responsibilities regarding human rights.
- #3 “We respect the rights of our employees to form unions and participate in collective bargaining”**
- ✓ We operate according to local legislative requirements and other local standards and circumstances for each individual workplace.
 - ✓ In countries where employees do not have the right to be members of trade unions of their own choice or trade unions may be banned, we have established alternative means for employees to discuss work conditions with local management.

The 10 principles of the UN Global Compact

The United Nations' Global Compact initiative is centered around 10 principles:

■ Human Rights

Principle 1: The support and respect of the protection of international human rights.

Principle 2: The refusal to participate or condone human rights abuses.

■ Labor

Principle 3: The support of freedom of association and the recognition of the right to collective bargaining.

Principle 4: The abolition of compulsory labor.

Principle 5: The abolition of child labor.

Principle 6: The elimination of discrimination in employment and occupation.

■ Environment

Principle 7: The implementation of a precautionary and effective program for environmental issues.

Principle 8: Initiatives that demonstrate environmental responsibility.

Principle 9: The promotion of the diffusion of environmentally friendly technologies.

■ Anti-Corruption

Principle 10: The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery.

- ✓ Three members of our Board of Directors are employee representatives appointed by trade unions.

#4 “We do not allow forced or compulsory labor in any aspect within our operations or supply chain”

- ✓ Employees are not required to lodge deposits of money or identity papers for employment and are free to leave their employment after reasonable notice.
- ✓ Working hours comply with national laws and are not excessive. However, several forms of support are also offered to help our employees balance the often competing demands of their work and personal lives.
- ✓ All of our employees earned greater than the stipulated minimum wage in the country where they are employed within their base pay, which means excluding overtime and incentives.

#5 “We do not allow child labor within our operations or supply chain”

- ✓ No person below the minimum legal age for employment may be employed.
- ✓ Should illegal child labor be found within our spheres of influence, our policy is to demand corrective actions that keep the child’s best interest as the foremost issue for resolution.

#6 “We do not allow discrimination within our work place in respect of employment and occupation”

- ✓ We strive to provide a stimulating and safe workplace characterized by professionalism, respect and equal opportunity.
- ✓ Employees with the same qualifications, experience and performance receive equal pay for equal work, in the country where they are employed.
- ✓ Our consolidating companies have policies or procedures to avoid and counteract discrimination, addressing equal treatment at the work place or in connection with employment. They typically cover, at a minimum, race, age, sex, religion and disabilities.
- ✓ We have decision and escalation processes to deal with discrimination should it occur.

#7 “We take a precautionary approach to environmental challenges”

- ✓ The Ericsson Group Management System uses life cycle assessments to create an overview of our environmental impact, assuring customers that our products can be efficiently operated and disposed of in an environmentally friendly manner.
- ✓ Operating on a global basis, we try to comply with the most stringent environmental, health and safety requirements to ensure that we satisfy all applicable national laws or local regulations.

- ✓ We continue to fund independent research into health and safety issues relating to radio waves and electromagnetic fields.

#8 “We promote greater environmental responsibility”

- ✓ Environmental management has been implemented according to the ISO 14001 environmental management standard. We were one of the first companies to be awarded global certification.
- ✓ Our management system ensures that environmental work is handled consistently throughout the organization, addressing environmental issues at their source.
- ✓ We strive to optimize environmental aspects in the design, procurement, production and operation of our products.

#9 “We proactively encourage the development and diffusion of environmentally friendly technologies”

- ✓ Our core business, providing telecommunications technology, is a key enabler of more efficient use of the world’s resources.
- ✓ Ericsson’s environmental directive requires us to continuously improve the environmental performance of our products, helping our customers to minimize their environmental impact.
- ✓ We improved the raw material intensity of our core network nodes by a factor of 70 times over the past decade. During the same period, we reduced the CO₂ emissions of our radio base stations by over two-thirds.
- ✓ Together with the United Nations Development Program, UNDP, and the Swedish International Development Agency, SIDA, we performed the first socioeconomic investigation of a developing country. The conclusion is that mobile telephony can be a strong catalyst for rural economic growth. We are participating in an initiative aimed at making the concept of “communication for all” commercially viable in such markets.

#10 “We do not tolerate fraud, corruption, extortion or bribery in any form within our operations or supply chain”

- ✓ Our Code of Business Ethics and Conduct, which all employees must acknowledge and adhere to, specifically outlines permissible employee behavior.
- ✓ All of our suppliers must comply with an equally stringent Code of Conduct, also based on the UN Global Compact 10 principles.
- ✓ During 2004, we implemented procedures for employees to report confidentially any violations of laws or other rules relating to accounting, internal controls and procedures or any form of fraudulent practices.

Glossary

3G

Broadband radio technology for mobile systems.

EMF

Electromagnetic fields.

Emission

Release or discharge of any substances, effluents or pollutants into the environment.

End-of-life

The point when a product has come to the end of its useful purpose. One focus of Ericsson's environmental policy is on implementing environmentally responsible disposal practices for its products when they have reached their end of lives.

EoLT

End-of-life treatment – how a product is taken care of after it is taken out of service.

Environmental impact

Any change to the environment, whether adverse or beneficial, wholly or partially resulting from human activities.

Ericsson Response

A global initiative aimed at responding to human suffering caused by disasters.

LCA

Life Cycle Assessment – a management tool for appraising and quantifying the environmental impact of products or activities over their lifetime.

Lead-free solder

Concern about toxicity has lead Ericsson to research lead-free solder. The alternative currently being tested is an alloy of tin, silver and copper.

Outsourcing

The transfer of a business function and its resources to a third-party supplier which then sells back the function as a service.

PBB

Polybrominated biphenyls. Used in producing printed circuit boards.

PBDE

Polybrominated diphenyl ethers. See PBB.

RF

Radio Frequency.

RoHS

EU directive on restriction of the use of certain hazardous substances in electrical and electronic equipment.

SAR

Specific Absorption Rate – a measure used in the research into exposure to radio waves.

Sustainability

A dynamic state of the earth's evolution where a prosperous human global society lives in harmony and with the carrying capacity of the ecosystem.

Sustainable development

Contributions toward sustainability.

WEEE

EU directive on waste electrical and electronic equipment.

Feedback Form

Thank you for taking the time to read the report. To assist us in improving our sustainability reporting, we would appreciate your comments on this report.

- 1 What overall rating would you give:**
- The content of the report?
 very good good fair poor
- The amount of information in the report?
 very good good fair poor
- The credibility of the report?
 very good good fair poor
- The balance of the report?
 very good good fair poor
- The design of the report?
 very good good fair poor

- 2 Based on this report, how do you rate Ericsson's:**
- Overall sustainability
 very good good fair poor
- Economic performance
 very good good fair poor
- Environmental performance
 very good good fair poor
- Social performance
 very good good fair poor

- 3 What sections did you find most useful and why?**
-
-
-

- 4 Which other sustainability oriented information would you like included in future reports?**
-
-
-

- 5 How else can we improve on the report?**
-
-
-

- 6 Your interest in the report is as:**
- | | |
|---|--|
| <input type="checkbox"/> Investor/Analyst | <input type="checkbox"/> Customer |
| <input type="checkbox"/> Supplier | <input type="checkbox"/> Shareholder |
| <input type="checkbox"/> NGO | <input type="checkbox"/> Government official |
| <input type="checkbox"/> Employee | <input type="checkbox"/> Media |
| <input type="checkbox"/> Interested citizen | <input type="checkbox"/> Other:..... |

Name, address and email (optional)

Name.....

Organisation.....

Address.....

Phone/email contact.....

- Please tick if you would like to be added to the mailing list for Ericsson Sustainability.

Please send the feedback form by mail to: Telefonaktiebolaget LM Ericsson, Investor Relations, LME/DI, S-164 83 Stockholm, Sweden, or by fax to: +46 (0) 8 719 1976.

Caution Concerning Forward-looking Statements

Some statements in this report are forward looking for purposes of the U.S. Private Securities Litigation Reform Act of 1965. We caution that forward-looking statements are not promises or guarantees rather they are assumptions and estimates about future expectations. These expectations are subject to risks and uncertainties that the actual results could differ materially from those described or implied herein. Economic, competitive, regulatory, technological and other important factors that could affect whether and to what extent any of our forward-looking statements materialize are discussed in our Annual Report 2004 and are incorporated in this report by reference.

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