

ERICSSON LM TELEPHONE CO  
Form 20-F  
April 26, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 20-F**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended December 31, 2016**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 000-12033**

**TELEFONAKTIEBOLAGET LM ERICSSON**

**(Exact Name of Registrant as Specified in its Charter)**

**LM ERICSSON TELEPHONE COMPANY**

**(Translation of Registrant's name into English)**

**Kingdom of Sweden**

**(Jurisdiction of incorporation or organization)**

**SE-164 83 Stockholm, Sweden**

**(Address of principal executive offices)**

**Roland Hagman, Vice President Group Function Financial Control**

**Telephone: +46 10 719 53 80, Fax: +46 8 744 42 82**

**SE-164 83 Stockholm, Sweden**

**(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)**

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on which Registered</b>
<b>American Depositary Shares (each representing one B share)</b>	<b>The NASDAQ Stock Market LLC</b>
<b>B Shares *</b>	<b>The NASDAQ Stock Market LLC</b>

\* Not for trading, but only in connection with the registration of the American Depositary Shares representing such B Shares pursuant to the requirements of the Securities and Exchange Commission.

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

B shares (SEK 5.00 nominal value)	3,069,395,752
A shares (SEK 5.00 nominal value)	261,755,983
C shares (SEK 1.00 nominal value)	49,367,641

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of large accelerated filer and accelerated filer and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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**PART I**

**INTRODUCTION**

Unless otherwise indicated, all references herein to Ericsson, the Company, the Group, we, us, or our or our subsidiaries are references to Telefonaktiebolaget LM Ericsson and its consolidated subsidiaries.

This document is our Annual Report on Form 20-F for the year ended December 31, 2016 (the 2016 Form 20-F). Reference is made to the English version of our Swedish Annual Report for 2016, with certain adjustments made to comply with U.S. requirements, which is attached hereto as Exhibit 15.1 (the 2016 Swedish Annual Report). Only (i) the information included in this 2016 Form 20-F, (ii) the information in the 2016 Swedish Annual Report that is incorporated by reference in this 2016 Form 20-F, and (iii) the exhibits to the 2016 Form 20-F that are required to be filed pursuant to the Form 20-F shall be deemed to be filed with the Securities and Exchange Commission for any purpose, including incorporation by reference into the Registration Statement on Form F-3 filed on May 8, 2015 (File No. 333-203977) and any other document filed by us pursuant to the Securities Act of 1933, as amended, which incorporates by reference the 2016 Form 20-F. Any information in the 2016 Swedish Annual Report that is not referenced in the 2016 Form 20-F or filed as an exhibit thereto shall not be deemed to be so incorporated by reference.

Certain industry, technical and financial terms used in this 2016 Form 20-F are defined in the subsections entitled Glossary and Financial Terminology of the 2016 Swedish Annual Report, which are incorporate herein by reference.

Market data and certain industry forecasts used herein were obtained from internal surveys, market research, publicly available information and industry publications. While we believe that market research, publicly available information and industry publications we use are reliable, we have not independently verified market and industry data from third-party sources. Moreover, while we believe our internal surveys are reliable, they have not been verified by any independent source.

The information included on [www.ericsson.com](http://www.ericsson.com) and other websites that appear in this 2016 Form 20-F is not incorporated by reference herein. From time to time, we may use our website as a channel of distribution of material company information. Financial and other material information regarding our company is routinely posted on and accessible at [www.ericsson.com](http://www.ericsson.com).

**Forward-Looking Statements**

This 2016 Form 20-F includes forward-looking statements, including statements reflecting management's current views relating to the growth of the market, future market conditions, future events and expected operational and financial performance. The words believe, expect, foresee, anticipate, assume, intend, may, could, plan, forecast, will, should, predict, aim, ambition, target, might, or, in each case, their negative, and similar words are intended to help identify forward-looking statements.

Forward-looking statements may be found throughout this document, and include statements regarding:

Our goals, strategies and operational or financial performance expectations

Development of corporate governance standards, stock market regulations and related legislation

The future characteristics of the markets in which we operate

Projections and other characterizations of future events

Our liquidity, capital resources, capital expenditures, our credit ratings and the development in the capital markets, affecting our industry or us

The expected demand for our existing as well as new products and services

The expected operational or financial performance of joint ventures and other strategic cooperation activities

The time until acquired entities will be accretive to income

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Technology and industry trends including regulatory and standardization environment, competition and our customer structure

Our plans for new products and services including research and development expenditures.

Although we believe that the expectations reflected in these and other forward-looking statements are reasonable, we cannot assure you that these expectations will materialize. Because forward-looking statements are based on assumptions, judgments and estimates, and are subject to risks and uncertainties, actual results could differ materially from those described or implied herein

Important factors that could affect whether and to what extent any of our forward-looking statements materialize include, but are not limited to the factors described under Item 3.D. Risk Factors in this 2016 Form 20-F.

We undertake no obligation to publicly update or revise any forward-looking statements included in this 2016 Form 20-F, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

**A. Selected Financial Data**

We present below certain selected financial data derived from our consolidated financial statements as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, included herein, prepared in accordance with the International Financial Reporting Standards ( IFRS ) as issued by the International Accounting Standards Board ( IASB ). IFRS differs in certain significant respects from the accounting principles generally accepted in the United States, or U.S. GAAP.

The summary financial data should be read in conjunction with our consolidated financial statements and the notes thereto contained in this 2016 Form 20-F, as well as the information set forth under the heading Item 5. Operating and Financial Review and Prospects and the information set forth under the following headings of the 2016 Swedish Annual Report, which are incorporated herein by reference:

Other Information

Alternative Performance Measures (APMs)

Financial Terminology and Exchange rates

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	2016	Change	2015	2014	2013	2012
<b>Income statement and cash flow items, SEK million</b>						
Net sales	222,608	10%	246,920	227,983	227,376	227,779
Operating expenses	60,501	6%	64,129	63,408	58,509	58,856
Operating income	6,299	71%	21,805	16,807	17,845	10,458
Net income	1,895	86%	13,673	11,143	12,174	5,938
Restructuring charges	7,567	50%	5,040	1,456	4,453	3,447
Cash flow from operating activities	14,010	32%	20,597	18,702	17,389	22,031
<b>Year-end position, SEK million</b>						
Total assets	283,347	0%	284,363	293,558	269,190	274,996
Property, plant and equipment	16,734	5%	15,901	13,341	11,433	11,493
Stockholders equity	139,817	5%	146,525	144,306	140,204	136,883
Non-controlling interest	675	20%	841	1,003	1,419	1,600
<b>Per share indicators</b>						
Earnings per share, basic, SEK	0.53	87%	4.17	3.57	3.72	1.80
Earnings per share, diluted, SEK	0.52	87%	4.13	3.54	3.69	1.78
Dividends per share, SEK	1.00	73%	3.70	3.40	3.00	2.75
Dividend per share (USD)	0.11	71%	0.39	0.41	0.46	0.42
<b>Number of shares outstanding (in millions)</b>						
end of period, basic	3,269		3,256	3,242	3,231	3,220
average, basic	3,263		3,249	3,237	3,226	3,216
average, diluted	3,303	1%	3,282	3,270	3,257	3,247
Capital stock, SEK million	16,657		16,526	16,526	16,526	16,526
<b>Other information, SEK million</b>						
Additions to property, plant and equipment	6,129	26%	8,338	5,322	4,503	5,429
Depreciations and write-downs/impairments of property, plant and equipment	4,569	3%	4,689	4,316	4,209	4,012
Acquisitions/capitalization of intangible assets	5,260	1%	5,228	6,184	4,759	13,247
Amortization and write-downs/impairments of intangible assets	4,550	18%	5,538	5,629	5,928	5,877
Research and development expenses as percentage of net sales	31,635	9%	34,844	36,308	32,236	32,833
	14.2%		14.1%	15.9%	14.2%	14.4%
Inventory turnover days	69	8%	64	64	62	73
<b>Alternative Performance Measures (APMs)<sup>1)</sup></b>						
Gross margin	29.8%		34.8%	36.2%	33.6%	31.6%
Operating margin	2.8%		8.8%	7.4%	7.8%	4.6%
EBITA margin	4.0%		10.5%	9.3%	9.8%	6.6%
Cash conversion	175.0%		85%	84%	79%	116%

<b>Capital employed, SEK million</b>	190,901	2%	195,150	189,839	180,903	176,653
<b>Return on equity</b>	1.2%		9.3%	8.1%	8.7%	4.1%
<b>Return on capital employed</b>	3.2%		11.6%	9.8%	10.7%	6.7%
<b>Equity ratio</b>	49.6%		51.8%	49.5%	52.6%	50.4%
<b>Capital turnover</b>	1.2		1.3	1.2	1.3	1.3
<b>Working capital, SEK million</b>	89,039	15%	104,811	103,246	106,940	100,619
<b>Gross cash, SEK million</b>	57,877	13%	66,270	72,159	77,089	76,708
<b>Net cash, SEK million<sup>2)</sup></b>	31,191	24%	41,150	48,014	47,634	48,041
<b>Statistical data, year-end</b>						
<b>Number of employees</b>	111,464	4%	116,281	118,055	114,340	110,255
<b>of which in Sweden</b>	15,303	10%	17,041	17,580	17,858	17,712
<b>Export sales from Sweden, SEK million</b>	107,036	9%	117,486	113,734	108,944	106,997

- 1) A reconciliation to the most directly reconcilable line items in the financial statements for 2016 and five comparison years is available under the heading *Alternative Performance Measures* of the 2016 Swedish Annual Report. Reconciliation of ten years is available in a separate document available on [www.ericsson.com/thecompany/investors/financial-reports](http://www.ericsson.com/thecompany/investors/financial-reports).
- 2) The definition of Net cash has been adjusted in 2016 (Post-employment benefits are no longer included and Interest-bearing securities, non-current are included). Net cash for prior periods has been recalculated using the new definition.

### **Exchange Rates**

The following tables provide information with respect to the exchange rate for SEK per USD 1.00 based on the noon buying rate for cable transfers in SEK as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate of 7 April was SEK 9.0503 per USD 1.00. The average exchange rate is computed using the noon buying rate on the last business day of each month during the period indicated.

<b>Year ended December 31,</b>	<b>Average</b>
2012	6.7247
2013	6.5152
2014	6.9222
2015	8.4643
2016	8.5959

<b>Month</b>	<b>High</b>	<b>Low</b>
October 2016	9.0646	8.5641
November 2016	9.2686	8.8938
December 2016	9.4207	9.0784
January 2017	9.1583	8.8254
February 2017	9.0134	8.7176
March 2017	9.0664	8.7701



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Effects of exchange rate fluctuations on our business is described in the Notes to the Consolidated Financial Statements Note C20, Financial Risk Management and Financial Instruments.

Noon buying rates are not used in the preparation of our financial statements. The exchange rates used in the preparation of our consolidated financial statements are presented below:

	<b>2016</b>	<b>2015</b>
<b>SEK/EUR</b>		
Average rate	9.44	9.34
Closing rate	9.56	9.17
<b>SEK/USD</b>		
Average rate	8.56	8.39
Closing rate	9.06	8.40

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

The information set forth under the heading Financials Risk Factors of the 2016 Swedish Annual Report is incorporated herein by reference.

**ITEM 4. INFORMATION ON THE COMPANY****A. History and Development of the Company**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

The Business

Ericsson in Brief

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Change in Reporting Structure from 2017

Financials Board of Directors Report

Business in 2016

Financial Highlights Capital expenditures

For capital expenditures we usually use available cash from operations

Notes to the Consolidated financial statements

Note C26 Business combinations

Note C32 Events after the reporting period

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### ***General facts on the company***

**Legal and commercial name of the Parent Company:** Telefonaktiebolaget LM Ericsson (publ).

**Organization number:** 556016-0680

**Legal form of the Parent Company:** A Swedish limited liability company, organized under the Swedish Companies Act.

**Country of incorporation:** Sweden.

**Date of incorporation:** The Parent Company was incorporated on August 18, 1918, as a result of a merger between AB LM Ericsson & Co. and Stockholms Allmänna Telefon AB.

**Domicile:** Our registered office is Telefonaktiebolaget LM Ericsson, SE 164 83 Stockholm, Sweden. Our headquarters are located at Torshamnsgatan 21, Kista, Sweden.

**Telephone number:** +46 10 719 0000

**Website:** [www.ericsson.com](http://www.ericsson.com). The information included on our website is not incorporated herein by reference.

**Agent in the US:** Ericsson Inc., Vice President Legal Affairs, 6300 Legacy Drive, Plano, Texas 75024. Telephone number: +1 972 583 0000.

**Shares:** Ericsson's Class A and Class B shares are traded on Nasdaq Stockholm. In the US, our American Depository Shares (ADS), each representing one underlying Class B share, are traded on NASDAQ New York.

**Parent company operations:** The business of the parent company, Telefonaktiebolaget LM Ericsson, consists mainly of corporate management, holding company functions and internal banking activities. Our parent company operations also include customer credit management activities performed by Ericsson Credit AB on a commission basis.

**Subsidiaries and associated companies:** For a list of our significant subsidiaries, please see Item 4C. Investments. In addition to our joint venture ST-Ericsson (up until August 2, 2013), we are engaged in a number of minor joint ventures and cooperative arrangements. For more information regarding risks associated with joint ventures, strategic alliances and third-party agreements, please see Item 3D. Financials Risk Factors - Market, Technology and Business Risks.

### ***Company history and development***

#### **Innovating to empower people, business and society**

Our origins date back to 1876 when Alexander Graham Bell filed a patent application in the United States for the telephone. The same year, Lars Magnus Ericsson opened a small workshop in Stockholm to repair telegraph instruments and sell his own telephone equipment.

Today, Ericsson is a leading provider of communications equipment, telecom services and support solutions. Our customers, in over 180 countries, are mainly operators of communications networks worldwide. We manage networks, or parts of networks, for one billion subscribers.

**B. Business Overview**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Ericsson in brief

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The business

    This is Ericsson

    This is the market

    The customers

    Networks

    IT & Cloud

    Media

    Global presence 24/7

    Customer group Industry and Society

    Customer Group IPR & Licensing

    Reporting Structure 2016

    Change in Reporting Structure from 2017

Financials

    Board of Directors report

        Financial highlights Research and development, patents and licensing

        Financial highlights Seasonality

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Business results Segments

Business results Regions

Sourcing and supply

Sustainability and corporate responsibility

Notes to the consolidated financial statements

Note C3 Segment information

Risk factors

Market, technology and business risks

Regulatory, compliance and corporate governance risks

Corporate Governance

Corporate Governance report 2016

Regulation and compliance

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Ericsson has conducted business in Iran/Persia since the late nineteenth century, opened an office in Iran in 1973 and later established a local subsidiary in the country. Ericsson strongly believes in enabling communication for all and believes that access to communications can enable the right to health, education and freedom of expression. Ericsson's business activities in Iran principally involve the sale of communications infrastructure related products and services, including support, installation and maintenance services. Ericsson's exports from the European Union (the EU) to Iran are performed under export licenses from the Swedish Agency for Non-Proliferation and Export Controls.

Due to its operations in Iran, and having staff permanently in the country, Ericsson has contacts with its local customers and retains certain local suppliers, including banks, and service providers. In addition, Ericsson has other dealings incidental to its local activities, such as making payments for taxes, salaries, rents, utilities and office and similar supplies as well for local accommodation and transportation and customs related services. As a result, Ericsson has contact with companies that may be owned or controlled by the government of Iran. While Ericsson seeks to obtain information regarding the actual business names and ownership of customers and other counterparties in Iran through its policies and procedures designed to ensure that Ericsson knows its customers, it is difficult to determine ownership and control with certainty, particularly with respect to determining whether an entity engaged in commercial activities is owned or controlled by the government.

During 2016, Ericsson sold communications infrastructure related products and services in Iran to the following telecommunications companies operating in the country: MTN Irancell, Mobile Communication Company of Iran (MCCI) and Dadeh Gostare Asre Novin (Hiweb). Ericsson also contracted with Pars Online for such sales. During 2016, Ericsson's gross revenue (reported as net sales) related to sales to Hiweb, MTN Irancell and MCCI in Iran was approximately SEK 2,801 million. Ericsson does not normally allocate net profit (reported as net income) on a country-by-country or activity-by-activity basis, other than as set forth in Ericsson's consolidated financial statements prepared in accordance with IFRS as issued by the IASB. However, Ericsson has estimated that its operating income (income before taxes and financial net) from such sales, after internal cost allocation was approximately SEK -332 million during 2016. Ericsson intends to continue to engage with existing customers and explore opportunities with new customers in Iran while continuously monitoring international developments as they relate to Iran and its government.

In some instances, Ericsson has had to arrange performance bonds or similar financial guarantees to secure Ericsson's performance of obligations under the commercial agreements Ericsson has entered into relating to the business in Iran. In such instances, Ericsson usually engages its banks outside Iran, who in turn engage local banks in the country. These local banks include Tejarat Bank, Melli Bank and Saderat Bank. Although some bonds and guarantees are still in place, no new performance bonds or similar guarantees involving these three banks with respect to Ericsson's business activities in Iran were issued during 2016, nor were payments made to beneficiaries under any such existing bond or guarantee.

During 2016, Bank Mellat, Post Bank of Iran and Tejarat Bank (local banks in Iran) issued bank guarantees to secure Iranian customer payment obligations to Ericsson and Eghtesad Novin Bank (a local bank in Iran) issued a letter of credit to one of Ericsson's banks outside Iran, to secure an Iranian customer's payment obligations to Ericsson. Further, some payments made to Ericsson's local subsidiary and payments required to be made by the local subsidiary to suppliers involve banks controlled by the government of Iran, such as Bank Mellat, Tejarat Bank, Bank Melli, Saderat Bank, Keshavarzi Bank, Eghtesad Novin Bank, Refah Bank and Bank Sepah. Ericsson also received payments from customers to Ericsson's accounts outside Iran.

**C. Organizational Structure**

The following list shows certain shareholdings owned directly and indirectly by our parent company as of December 31, 2016. A complete list of shareholdings, prepared in accordance with the Swedish Annual Accounts Act and filed with the Swedish Companies Registration Office (Bolagsverket), may be obtained upon request to: Telefonaktiebolaget LM Ericsson, External Reporting, SE-164 83 Stockholm, Sweden.



**Table of Contents***Shares owned directly by the Parent Company*

<b>Company</b>	<b>Reg. No.</b>	<b>Domicile</b>	<b>Percentage of ownership</b>	<b>Par value in local currency, million</b>	<b>Carrying value, SEK million</b>
<b>Subsidiary companies</b>					
Ericsson AB	556056-6258	Sweden	100	50	20,731
Ericsson Shared Services AB	556251-3266	Sweden	100	361	2,216
Netwise AB	556404-4286	Sweden	100	2	306
Datacenter i Rosersberg AB	556895-3748	Sweden	100		88
Datacenter i Mjärdevi Aktiebolag	556366-2302	Sweden	100	10	69
AB Aulis	556030-9899	Sweden	100	14	6
Ericsson Credit AB	556326-0552	Sweden	100	5	5
Other (Sweden)					1,642
Ericsson Austria GmbH		Austria	100	4	65
Ericsson Danmark A/S		Denmark	100	90	216
Oy LM Ericsson Ab		Finland	100	13	196
Ericsson Participations France SAS		France	100	26	524
Ericsson Germany GmbH		Germany	100		4,232
Ericsson Hungary Ltd.		Hungary	100	1,301	120
L M Ericsson Limited		Ireland	100	4	34
Ericsson Telecomunicazioni S.p.A.		Italy	100	44	5,357
Ericsson Holding International B.V.		The Netherlands	100	222	3,200
Ericsson A/S		Norway	100	75	114
Ericsson Television AS		Norway	100	161	1,670
Ericsson Corporatia AO		Russia	100	5	5
Ericsson España S.A.		Spain	100	43	170
Ericsson AG		Switzerland	100		
Ericsson Holdings Ltd.		United Kingdom	100	328	4,094
Other (Europe, excluding Sweden)					680
Ericsson Holding II Inc.		United States	100	2,897	29,907
Compañía Ericsson S.A.C.I.		Argentina	95 <sup>1)</sup>	41	15
Ericsson Canada Inc.		Canada	100		51
Belair Networks		Canada	100		170
Ericsson Telecom S.A. de C.V.		Mexico	100	939	1,050
Other (United States, Latin America)					96
Teleric Pty Ltd.		Australia	100	20	100
Ericsson Ltd.		China	100	2	2
Ericsson (China) Company Ltd.		China	100	65	475
Ericsson India Private Ltd.		India	100	725	147
Ericsson India Global Services PVT. Ltd		India	100	389	64
Ericsson Media Solutions Ltd		Israel	100	9	711
Ericsson-LG CO Ltd.		Korea	75	375	2,544
Ericsson (Malaysia) Sdn. Bhd.		Malaysia	70	2	4

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Ericsson Telecommunications Pte. Ltd.	Singapore	100	2	1
Ericsson South Africa PTY. Ltd	South Africa	70		135
Ericsson Taiwan Ltd.	Taiwan	90	270	36
Ericsson (Thailand) Ltd.	Thailand	49 <sup>2)</sup>	90	17
Other countries (the rest of the world)				299
<b>Total</b>				<b>81,564</b>
Joint ventures and associated companies				
ST-Ericsson SA	Switzerland	50	137	
Rockstar Consortium Group	Canada	21	1	
Ericsson Nikola Tesla d.d.	Croatia	49	65	330
<b>Total</b>				<b>330</b>

1) Through subsidiary holdings, total holdings amount to 100% of Compania Ericsson S.A.C.I.

2) Through subsidiary holdings, total holdings amount to 100% of Ericsson (Thailand) Ltd.

**Table of Contents****Shares owned by subsidiary companies**

<b>Company</b>	<b>Reg. No.</b>	<b>Domicile</b>	<b>Percentage of ownership</b>
<b>Subsidiary companies</b>			
Ericsson Cables Holding AB	556044-9489	Sweden	100
Ericsson France SAS		France	100
Ericsson Telekommunikation GmbH 1)		Germany	100
Ericsson Telecommunicatie B.V.		The Netherlands	100
Ericsson Telekomunikasyon A.S.		Turkey	100
Ericsson Ltd.		United Kingdom	100
Creative Broadcast Services Holdings Ltd.		United Kingdom	100
Ericsson Inc.		United States	100
Ericsson Wifi Inc.		United States	100
Druitt Corporation Inc.		United States	100
Redback Networks Inc.		United States	100
Telcordia Technologies Inc.		United States	100
Ericsson Telecomunicações S.A.		Brazil	100
Ericsson Australia Pty. Ltd.		Australia	100
Ericsson (China) Communications Co. Ltd.		China	100
Nanjing Ericsson Panda Communication Co. Ltd.		China	51
Ericsson Japan K.K.		Japan	100
Ericsson Communication Solutions Pte Ltd.		Singapore	100

- 1) Disclosures Pursuant to Section 264b of the German Commercial Code (Handelsgesetzbuch – HGB) Applying Section 264b HGB, Ericsson Holding GmbH and Ericsson Telekommunikation GmbH, located in Frankfurt am Main/Germany, are exempted from the obligation to prepare, have audited and disclose financial statements and a management report in accordance with the legal requirements being applicable for German corporations.

**D. Property, Plant and Equipment**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

The business

Sustainability and corporate responsibility

Financials

Board of Directors report

Financial highlights Capital expenditures

Sustainability and corporate responsibility

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Note C11 Property, plant and equipment

Note C27 Leasing

Risk factors

Regulatory, Compliance and Corporate Governance risks

***Primary manufacturing and assembly facilities***

We continuously adjust our production capacity to meet expected customer demand. During 2016, our overall capacity utilization was around 85%.

The table below summarizes where we have major sites and the total floor space at year-end. Facilities are leased. The majority of the floor space within our production facilities is used for assembly.

	2016		2015		2014	
	Thousands of sq		Thousands of sq		Thousands of sq	
	Sites	meters**	Sites*	meters**	Sites	meters**
Sweden	4	21.3	4	21.3	4	20.7
China	2	13	2	13	3	19.8
Estonia	1	6	1	6	1	9.1
Italy	0	0	0	0	1	16
Brazil	1	4.5	1	4.5	1	25.3
Mexico	1	0.8	1	0.8	1	0.8
India	1	10.8	1	10.8	1	24.5
Total	<b>10</b>	<b>56.4</b>	<b>10</b>	<b>56.4</b>	<b>12</b>	<b>116.2</b>

\* In 2015, we closed our facility in Italy and one facility in China.

\*\* Floor space in square meters does not include any warehouses and any transportation areas

**ITEM 4A. Unresolved Staff Comments**

None.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

**A. Operating Results**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Ericsson in brief

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The business

    This is Ericsson

    Global presence 24/7

    Reporting Structure 2016

Other information

    Five-year summary

    Alternative Performance Measures (APMs)

Financials

    Board of Directors' report

        Business in 2016

        Financial highlights

        Business results – Segments

        Business results – Regions

        Risk management

    Notes to the consolidated financial statements

        Note C1 – Significant accounting policies

Risk Factors

Market, technology and business risks

Regulatory, Compliance and Corporate Governance risks

***Operating results for the years ended December 31, 2014 and 2015***

**Business in 2015**

In 2015, net sales increased by 8% mainly due to sales growth in India, North America and Mainland China as well as higher IPR licensing revenues. All three segments showed sales growth. Both operating income and margin increased compared to last year despite significantly higher restructuring charges. The increase is mainly related to higher IPR licensing revenues, lower negative currency hedge effects and lower operating expenses, excluding restructuring charges. In the year, the US dollar strengthened towards a number of currencies including SEK, impacting sales and operating income positively.

The IPR strategy, to generate value from investments in R&D, has been successful and over the last five years IPR licensing revenues have more than tripled. IPR revenues were SEK 14.4 (9.9) billion. Ericsson now has agreements with the majority of handset suppliers.

In 2015, there was good progress in the targeted growth areas; IP network, Cloud, OSS and BSS, TV and Media as well as Industry and Society. Ericsson continued to invest in order to establish leadership in these areas.



## **Table of Contents**

The effort to restore Network Rollout to a sustainable profitable business progressed well, with a break-even operating income, excluding restructuring charges, for the second half of 2015.

The global cost and efficiency program progressed according to plan, with the target to achieve net annual savings of SEK 9 billion during 2017 compared with 2014. Operating expenses, excluding restructuring charges, declined to SEK 61.4 (63.0) billion. Ericsson will continue to address operating expenses and increase efforts to further reduce cost of sales in order to improve the gross margin.

Ericsson delivered a full-year cash flow from operating activities of SEK 20.6 (18.7) billion, exceeding the cash conversion target of more than 70%. The Board of Directors proposes a dividend of SEK 3.70 (3.40) per share for 2015, an increase of 9% compared with last year.

## **Financial highlights**

### **Net Sales**

Reported sales increased by 8%. Sales growth in India, North America and Mainland China as well as higher IPR licensing revenues were partly offset by lower sales in Japan, Russia and Brazil.

All three segments showed sales growth. Global Services sales grew by 11%, with 15% growth in Professional Services, while Network Rollout sales were almost flat. Networks sales grew by 5% and Support Solutions sales by 19%.

IPR licensing revenues amounted to SEK 14.4 (9.9) billion. In 2015, a global patent license agreement was signed with Apple.

In the year, the US dollar strengthened towards a number of currencies including SEK, impacting sales positively. At the same time the strong US dollar gradually impacted investments negatively in some emerging markets.

Sales, adjusted for comparable units and currency, decreased by 5%.

### **Gross margin**

Gross margin declined to 34.8% (36.2%). Excluding restructuring charges, the gross margin declined to 35.7% (36.6%) due to a mix with a lower share of mobile capacity business and higher share of Global Services sales. This was partly offset by higher IPR licensing revenues and effects of implemented efficiency measures.

The mix of sales by commodity was; software 23% (24%), hardware 34% (34%) and services 43% (42%).

### **Restructuring charges and global cost and efficiency program**

Restructuring charges amounted to SEK 5.0 ( 1.5) billion, in line with previous estimates. The charges were mainly related to the global cost and efficiency program announced in November 2014. The global cost and efficiency program is progressing according to plan and is expected to generate net annual savings of SEK 9 billion during 2017 compared with 2014.

With current visibility, total restructuring charges for 2016 are estimated to be approximately SEK 3 4 billion. This includes both restructuring charges related to the global cost and efficiency program and normal restructuring charges

for the ongoing business transformation.

### **Operating expenses**

Total operating expenses increased to SEK 64.1 (63.4) billion. Operating expenses, excluding restructuring charges, decreased from SEK 63.0 to SEK 61.4 billion, due to lower R&D expenses amounting to SEK 32.8 (36.0) billion. This is partly a result of implementation of activities related to the global cost and efficiency program. Additions to capitalized development expenses amounted to SEK 3.5 (1.5) billion. The increase was due to higher activity in technology platform development than a year ago.

### **Other operating income and expenses**

Other operating income and expenses improved to SEK 0.1 ( 2.2) billion. The increase is mainly related to currency hedge effects of SEK 1.1 ( 2.8) billion. They derive from the hedge contract balance in US dollar, which has further decreased in value. The SEK has weakened towards the US dollar between December 31, 2014 (SEK/USD rate 7.79) and December 31, 2015 (8.40). The negative currency hedge effects were more than offset by several minor positive items and a capital gain of SEK 0.3 billion related to a real estate divestment in the US.

### **Operating income**

Operating income increased to SEK 21.8 (16.8) billion despite significantly higher restructuring charges. The increase is mainly related to higher IPR licensing revenues, lower negative currency hedge effects and lower operating expenses, excluding restructuring charges. The net currency effect had a positive impact on operating income. Operating margin was 8.8% (7.4%).

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### **Financial net**

Financial net amounted to SEK 1.9 ( 1.0) billion. The decrease is mainly due to a negative effect of foreign currency revaluation and lower interest rates.

### **Taxes**

The tax rate for 2015 was 31% compared with 30% in 2014, negatively impacted by the geographical mix. Tax costs were SEK 6.2 ( 4.7) billion.

### **Net income and EPS**

Net income increased to SEK 13.7 (11.1) billion, for the same reasons as for the increase in operating income. EPS diluted was SEK 4.13 (3.54).

### **Business results Segments**

#### **Networks**

Reported sales increased by 5% compared to last year. The increase was mainly due to higher IPR licensing revenues. Operator investments in mobile broadband in India and South East Asia increased. The large-scale LTE deployments in Mainland China continued at a high pace in 2015. Sales in North America were flat compared to last year, supported by the strengthened US dollar. Mobile broadband investments in North America were negatively impacted by operator focus on cash flow optimization in order to finance major acquisitions and spectrum auctions.

In 2015, sales in targeted growth area IP networks grew, mainly driven by investments in packet core, VoLTE and user data management.

During the year, the US dollar strengthened towards a number of currencies, including SEK, impacting sales positively. At the same time, the strong US dollar gradually impacted investments negatively in some emerging markets. Sales, adjusted for comparable units and currency, decreased by 8% compared to last year.

Operating income and margin decreased due to a higher share of mobile broadband coverage business and higher restructuring charges. Increased IPR licensing revenues, lower operating expenses and lower negative effect of currency hedge contracts contributed positively to operating income and margin.

The year started with a high level of R&D expenses which gradually decreased as a result of the global cost and efficiency program. The ambition to improve Networks profitability remains.

Restructuring charges amounted to SEK 2.8 ( 0.4) billion and the negative effect from hedge contracts was SEK 0.9 ( 2.1) billion.

#### **Global Services**

Reported sales increased by 11% compared to last year. Professional Services reported sales grew 15% with strong development across the portfolio and with growth in all ten regions.

Consulting and Systems Integration sales grew, driven by OSS and BSS transformation projects and by solutions for Industry & Society customers. Sales in Managed Services grew by 17% and the number of signed contracts increased by more than 40% compared with 2014.

Network Rollout sales were flat. Lower coverage project activities in Japan, North America and Latin America impacted sales negatively.

Global Services sales, adjusted for comparable units and currency, declined 2%.

Global Services operating income increased by more than 30% compared with 2014, driven by increased sales in Professional Services and reduced losses in Network Rollout. Professional Services margin was stable compared to last year.

The effort to restore Network Rollout profitability progressed well with a break-even result, excluding restructuring, for the second half of the year. Network Rollout full-year operating income improved to SEK 1.4 ( 2.5) billion.

Restructuring charges for Global Services increased to SEK 1.7 ( 0.8) billion. The implementation of the Global Services delivery strategy accelerated during the year as part of the global cost and efficiency program, resulting in a remote delivery rate of 50% (44%). The ambition to optimize service delivery and improve profitability will continue.

The effect of currency hedge contracts on operating income was SEK 0.2 ( 0.6) billion.

### **Support Solutions**

Reported sales increased by 19% compared with 2014, with North America and India as main contributors. Sales, adjusted for comparable units and currency, were flat. The overall transition of business models, from traditional telecom software licenses to recurrent license revenue deals, continued.

Sales in OSS and BSS developed favorably. Growth of mobile broadband drives operators to transform their OSS and BSS solutions, in order to monetize the data growth while at the same time managing the increased complexity. Two important TV & Media agreements were announced in North America in the second half of the year, showing the strong position Ericsson has in this transforming market.

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IPR licensing revenues increased compared with 2014.

Operating Income and margin improved significantly compared with 2014, driven by higher sales. Focus going forward is to improve earnings leverage through increased recurring software sales and efficiencies.

Restructuring charges increased to SEK 0.5 ( 0.1) billion due to the global cost and efficiency program. The effect of currency hedge contracts on operating income was SEK 0.1 ( 0.2) billion.

## **Business results    Regions**

### **North America**

Mobile broadband investments were slow as operators focused on cash flow optimization in order to finance major acquisitions and spectrum auctions. Investments stabilized during the second half of the year, driven by data traffic growth. ICT transformation, TV & Media and Professional Services developed favorably.

### **Latin America**

Sales decreased compared to last year mainly due to lower activities in Brazil. Operator investments increased in local currency, but not enough to compensate for the depreciation towards the US dollar and currency restrictions in many parts of the region. Professional Services sales grew, mainly in OSS and BSS.

### **Northern Europe and Central Asia**

Sales declined, primarily due to lower mobile broadband investments in Russia with sales of SEK 4.7 (6.7) billion. However, sales stabilized in the second half of the year, but at a lower level compared to the same period last year. Professional Services sales increased, driven by Managed Services and ICT transformation projects in the Nordics. TV & Media and OSS and BSS developed favorably, driving sales growth in Support Solutions.

### **Western and Central Europe**

Investments in mobile broadband were driven by the transition from 3G to 4G and capacity enhancements. At the same time, some important projects peaked. Sales were stable with a shift towards Professional Services and Support Solutions, as operators focus on network optimization, efficiency and new functionality.

### **Mediterranean**

Sales increased somewhat, driven by Managed Services. Investments in mobile broadband were driven by the transition from 3G to 4G and improvements of the quality and capacity of the networks.

### **Middle East**

Sales increased, primarily in Global Services. In the first half of the year, Network sales growth was mainly driven by some major mobile broadband projects, which were completed in the second half of the year.

### **Sub-Saharan Africa**

Sales increased across all segments, driven by strong consumer demand for mobile broadband, despite a challenging regulatory environment and recent macro-economic development. Operators' focus on network quality and efficiency drove Professional Services sales growth.

### **India**

Sales growth was driven by increased operator investments in mobile broadband infrastructure and Professional Services. Increased focus on network quality and cost optimization continued to drive strong sales growth for Managed Services. Support Solutions sales showed significant growth, driven by OSS and BSS.

**North East Asia**

Sales growth was driven by 4G deployments in Mainland China, partly offset by lower operator investments in Japan. Professional Services showed growth, supported by the acquisition of Sunrise Technologies' telecom business.

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**South East Asia and Oceania**

Sales increased, primarily driven by mobile broadband deployments across several markets. Professional Services sales developed favorably as operators focused on efficiency and network optimization. TV & Media showed a positive development during the year.

**Other**

Sales increased, driven by the Apple global patent license agreement and currency, as a majority of the IPR contracts are in US dollar. Broadcast services showed good growth. IPR licensing revenues amounted to SEK 14.4 (9.9) billion.

**B. Liquidity and Capital Resources**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Financials

Board of Directors report

Financial highlights Cash flow

Financial highlights Financial position

Financial highlights Seasonality

Financial highlights Capital expenditures

Notes to the consolidated financial statements

Note C19 Interest-bearing liabilities

Note C20 Financial risk management and financial instruments

Note C25 Statement of cash flows

See Item 8.B. Financial Information Significant Changes herein.



**Balance sheet and other performance indicators for the years ended December 31, 2014 and 2015**

**Cash flow**

Cash flow from operating activities was SEK 20.6 (18.7) billion. The positive earnings were somewhat offset by increased working capital, due to a business mix with a high share of coverage projects in Mainland China and emerging markets.

Days sales outstanding (DSO) decreased to 87 (105) days and Inventory turnover days remained stable at 64 days. Accounts payable days decreased to 53 (56) days. Provisions amounted to SEK 3.8 (4.4) billion at year end. Cash outlays of SEK 2.8 billion related to restructuring charges were made during the year.

Total investing activities amounted to SEK 8.0 billion. Investments in property, plant and equipment increased to SEK 8.3 ( 5.3) billion driven by continued investments in new ICT centers in Sweden and Canada. Acquisitions amounted to SEK 2.2 ( 4.4) billion.

Financing activities were impacted by dividend payouts of SEK 11.3 ( 9.8) billion.

**Financial position**

Net cash decreased to SEK 18.5 (27.6) billion in 2015, despite stronger cash flow from operating activities, mainly due to increased investments in ICT centers and in new facilities in Santa Clara, California, as well as increased dividends.

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Pension liabilities increased by SEK 2.3 billion following actuarial adjustments. The net cash position, excluding post-employment benefits (in the amount of SEK 22.7 billion) was SEK 41.2 (48.0) billion. Reported net cash was SEK 18.5 billion.

The average maturity of long-term borrowings as of December 31, 2015 was 4.8 years, compared with 5.7 years 12 months earlier. Ericsson has an unutilized Revolving Credit Facility of USD 2.0 billion. The facility expires in 2020.

**Employees**

In 2015, the number of employees decreased by 1,774. At the end of 2015, the total number of employees was 116,281 (118,055). Almost 15,000 employees joined Ericsson during the year and close to 17,000 employees left Ericsson, reflecting the natural attrition rate and ongoing company transformation.

**Research and development, patents and licensing**

In line with the global cost and efficiency program, the Company has decreased its R&D activities. The largest contribution to savings is a result of discontinuation of the modems operations. Approximately half of the global cost and efficiency program annual net savings of SEK 9 billion is estimated to come from operating expenses. R&D expenses amounted to SEK 34.8 (36.3) billion.

**Research and development, patents and licensing**

	2015	2014	2013
Expenses (SEK billion)	34.8	36.3	32.2
As percent of Net sales	14.1%	15.9%	14.2%
Employees within R&D as of December 31 <sup>1)</sup>	23,700	25,700	25,300
Patents <sup>1)</sup>	39,000	37,000	35,000
IPR revenues, net (SEK billion)	14.4	9.9	10.6

1) The number of employees and patents are approximate.

**Seasonality**

The Company's sales, income and cash flow from operations vary between quarters, and are generally lowest in the first quarter of the year and highest in the fourth quarter. This is mainly a result of the seasonal purchase patterns of network operators.

**Most recent five-year average seasonality**

	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential change, sales	22%	9%	0%	21%
Share of annual sales	22%	24%	24%	29%

**Off-balance sheet arrangements**

There are currently no material off-balance sheet arrangements that have, or would be reasonably likely to have, a current or anticipated material effect on the Company's financial condition, revenues, expenses, result of operations, liquidity, capital expenditures or capital resources.

### **Capital expenditures**

For 2015, capital expenditures were SEK 8.3 (5.3) billion, representing 3.4% of sales. Expenditures are largely related to test sites and equipment for R&D, network operation centers and manufacturing and repair operations.

Investments have been made in three new global ICT centers. The centers will support R&D and services in developing and verifying solutions more efficiently and bringing innovation faster to the market. The first center, in Linköping, Sweden, was opened in 2014. The second center, in Rosersberg, Sweden, was opened in the beginning of 2016. The third center, in Montreal, Canada, is planned to be opened during the second quarter of 2016. In addition, Ericsson has invested in two buildings in Santa Clara, California with the purpose to consolidate Ericsson's Silicon Valley operations.

Apart from these investments, Ericsson believes that the Company's property, plant and equipment and the facilities the Company occupies are suitable for its present needs in most locations.

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Annual capital expenditures are normally around 2% of sales. This corresponds to the needs for keeping and maintaining the current capacity level. The Board of Directors reviews the Company's investment plans and proposals.

As of December 31, 2015, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

**Capital expenditures 2011 - 2015**

<b>SEK billion</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Capital -expenditures	8.3	5.3	4.5	5.4	5.0
<i>Of which in -Sweden</i>	<i>2.6</i>	<i>2.4</i>	<i>1.9</i>	<i>1.3</i>	<i>1.7</i>
Share of annual sales	3.4%	2.3%	2.0%	2.4%	2.2%

**C. Research and Development, Patents and Licenses**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Other information

Five-year summary

Alternative Performance Measures (APMs)

The business

This is Ericsson

Business structure

Networks

IT & Cloud

Media

Global presence 24/7

Customer group Industry and Society

Customer Group IPR & Licensing

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**D. Trend Information**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

The Business

CEO dialogue

This is Ericsson

Profit improvement

This is the market

See Item 8.B. Financial Information Significant Changes herein.

**E. Off-Balance Sheet Arrangements**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Financials

Board of Directors report

Financial highlights Off-balance sheet arrangements

Notes to the consolidated financial statements

Note C14 Trade receivables and customer finance, Transfers of financial assets

Note C24 Contingent liabilities

**F. Tabular Disclosure of Contractual Obligations**

The information set forth under the section Financials Notes to the consolidated financial statements Note C31 Contractual obligations of the 2016 Swedish Annual Report is incorporated herein by reference.

## **ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **A. Directors and Senior Management**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Corporate Governance

Corporate Governance report 2016

Members of the Board of Directors

Members of the Executive Leadership Team

See Item 8.B. Financial Information Significant Changes herein.

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**B. Compensation**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Financials

Board of Directors report

Corporate governance Remuneration

Notes to the consolidated financial statements

Note C17 Post-employment benefits

Note C28 Information regarding members of the Board of Directors, the Group management and employees

Corporate Governance

Corporate Governance report 2016

Remuneration to Board members

Remuneration report

See Item 8.B. Financial Information Significant Changes herein.

**C. Board Practices**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Financials



Notes to the consolidated financial statements

Note C28 Information regarding members of the Board of Directors, the Group management and employees Comments to the table

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Corporate Governance report 2016

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Committees of the Board of Directors Audit committee

Committees of the Board of Directors Remuneration committee

Remuneration report

The Remuneration Committee

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See Item 8.B. Financial Information Significant Changes herein.

**D. Employees**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

The Business

The people

Financials

Board of Directors report

Financial Highlights Employees

Notes to the Consolidated financial statements

Note C28 Information regarding members of the Board of Directors, the Group management and employees Employee numbers, wages and salaries

Other information

Five-year summary Statistical data, year-end

We consider that our relationship with the labor unions that represent our employees is good.

**Number of employees by region at year-end**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
North America	11,547	14,548	15,516
Latin America	9,513	10,412	11,066
Northern Europe & Central Asia <sup>1) 2)</sup>	19,136	20,700	21,633
Western & Central Europe <sup>2)</sup>	13,646	12,220	12,617
Mediterranean <sup>2)</sup>	12,578	12,702	13,387

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Middle East	3,346	3,639	3,858
Sub-Saharan Africa	2,086	2,301	2,406
India	22,552	21,999	19,971
North East Asia	13,042	13,706	13,464
South East Asia & Oceania	4,018	4,054	4,137
<b>Total</b>	<b>111,464</b>	<b>116,281</b>	<b>118,055</b>
1) Of which in Sweden	15,303	17,041	17,580
2) Of which in EU	42,625	43,117	45,202

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**E. Share Ownership**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Shareholders

Share information

Shareholders

Corporate Governance

Corporate Governance report 2016

Shareholders

Members of the Board of Directors

Members of the Executive Leadership Team

Remuneration report

Total remuneration in 2016

Financials Notes to the consolidated financial statements

Note C28 Information regarding members of the Board of Directors, the Group management and employees

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**A. Major Shareholders**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Corporate Governance

Corporate Governance report 2016

Shareholders

Shareholders

Share information

Shareholders

**B. Related Party Transactions**

The information set forth under the section Financials Notes to the consolidated financial statements Note C29 Related party transactions of the 2016 Swedish Annual Report is incorporated herein by reference.

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**C. Interests of Experts and Counsel.**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. Consolidated Statements and Other Financial Information.**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Financials

Board of Directors report

Legal proceedings

Parent Company Proposed disposition of earnings

Consolidated financial statements

Notes to the consolidated financial statements

Report of independent registered public accounting firm

Other information

Five-year summary Statistical data, year-end

See Item 8.B. Financial Information Significant Changes , Item 10.B. Memorandum and Articles of Association Dividends and Item 17. Financial Statements , herein.

Refer also to item 8.B herein

**B. Significant Changes**

**New segment structure from January 1, 2017**

From January 1, 2017, financial reporting is done according to the new structure, i.e., by the new segments Networks, IT & Cloud and Media.

**Börje Ekholm took office as CEO and President on January 16, 2017**

On January 16, 2017, Ericsson announced that in connection with Börje Ekholm assuming the position as President and CEO of Ericsson, Jan Frykhammar, who had temporarily held the position as President and CEO, remained a member of the Executive Leadership Team and was appointed Executive Vice President and advisor to the CEO. Jan Frykhammar has been supporting Börje Ekholm during the transition period and has focused on corporate governance and efficiency. Magnus Mandersson remains Executive Vice President, advisor to the CEO, focusing on customer relationships, and a member of the Executive Leadership Team. Magnus Mandersson also remains Chairperson of four out of Ericsson's ten regions. Carl Mellander remains acting Chief Financial Officer and a member of the Executive Leadership Team.

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### **Ericsson issues two bonds of EUR 500 million each, maturing in 2021 and 2024, on February 24, 2017**

Ericsson has successfully placed one Euro denominated 500 million four year bond with a fixed coupon rate of 0.875% and one Euro denominated 500 million seven year bond with a fixed coupon rate of 1.875% per year.

The bonds were issued under Ericsson's Euro Medium Term Note Program (EMTN).

Joint bookrunners were Citi, Credit Agricole CIB and SEB and co-managers were Nordea, Standard Chartered and Swedbank.

The proceeds will be used to refinance debt maturing in 2017 and for general corporate purposes.

### **Ericsson presented focused business strategy**

On March 28, 2017, Ericsson presented a focused business strategy to revitalize technology and market leadership, improve group profitability and enable customer success. The company announced that it will reallocate resources and increase investments in the following core portfolio areas: networks, digital services (OSS, BSS and telecom core) and Internet of Things (IoT).

In addition, the company will implement a refocused strategy for Managed Services to improve profitability and also explore strategic opportunities for the Media and Cloud infrastructure hardware businesses. When announced, the refocused strategy was estimated to have the following financial consequences in the short term: write down of assets to be made in Q1, 2017, with an estimated impact on operating income of SEK 3-4 b, restructuring charges estimated to approximately SEK 6-8 b. for 2017, of which approximately SEK 2 b. in Q1. The actual result reported in Q1 2017 was in line with the estimates: write down of assets were SEK 3.3 b., restructuring charges in Q1 2017 were SEK 1.7 b.

Separately, but in the same announcement, the company announced that it would make provisions of an estimated SEK 7-9 b. in Q1, triggered by recent negative developments related to certain large customer projects. The actual result recognized in Q1 2017 was SEK 8.4 b. and in line with the estimate.

In March, 2017, the Company made a restructuring provision of SEK 0.9 billion related to the reduction of operations in Borås and Kumla in Sweden. This was recognized in the first quarter of 2017.

### **Ericsson Simplifies Organization and Names Executive Team**

In line with the business strategy announced on March 28, 2017, Ericsson has simplified its organizational structure by removing the two-tiered leadership structure, Executive Leadership Team and Global Leadership Team, and forming a single Executive Team. In addition, the geographical setup with ten regions has become five market areas, and the business areas were re-defined and reduced to three. The new Executive Team roles and the new organization took effect April 1, 2017.

The following Business Area and Market Area structure has been applied to Ericsson as of April 1, 2017:

Business Area Networks; Business Area Digital Services; Business Area Managed Services



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Market Area North America; Market Area Europe & Latin America; Market Area Middle East & Africa;  
Market Area North East Asia; Market Area South East Asia, Oceania & India

Effective April 1, 2017, Ericsson's Executive Team members are:

President and CEO Börje Ekholm

Business Area Networks Fredrik Jejdling, Senior Vice President, previously head of Business Unit Network Services

Business Area Managed Services Peter Laurin, Senior Vice President, previously head of Region Northern Europe and Central Asia

Business Area Digital Services Ulf Ewaldsson, Senior Vice President, previously head of Group Function Strategy & Technology

Market Area North America Rima Qureshi, Senior Vice President, previously head of Region North America

Market Area Europe & Latin America Arun Bansal, Senior Vice President, previously head of Business Unit Network Products

Market Area Middle East & Africa Rafiah Ibrahim, Senior Vice President, previously head of Region Middle East

Market Area North East Asia Chris Houghton, Senior Vice President, previously head of Region North East Asia

South East Asia, Oceania & India Nunzio Mirtillo, Senior Vice President, previously head of Region Mediterranean

Technology & Emerging Business Niklas Heuvel dop, Senior Vice President, previously head of Group Function Sales

Finance & Common Functions Carl Mellander, Senior Vice President, previously acting Head of Group Function Finance & Common Functions

Human Resources MajBritt Arfert, Senior Vice President, previously acting Head of Group Function Human Resources

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Marketing & Communications Helena Norrman, Senior Vice President, previously in the same role

Sustainability & Corporate Responsibility Elaine Weidman Grunewald, Senior Vice President, previously in the same role

Legal Affairs Nina Macpherson, Senior Vice President, previously in the same role

Advisor to the CEO Jan Frykhammar, Executive Vice President, previously in the same role

Advisor to the CEO Magnus Mandersson, Executive Vice President, previously in the same role

Per Borgklint, Anders Lindblad, Jean-Philippe Poirault and Charlotta Sund left the Executive Leadership Team effective April 1, 2017.

**Changes resolved in connection with the Annual General Meeting of shareholders (AGM) held on March 29, 2017**

Decisions at the AGM 2017 included:

Payment of a dividend of SEK 1 per share

Re-election of Leif Johansson as Chairman of the Board of Directors

Re-election of other members of the Board of Directors: Nora Denzel, Börje Ekholm, Kristin Skogen Lund, Kristin S. Rinne, Sukhinder Singh Cassidy, Helena Sjernholm and Jacob Wallenberg

Election of new Board members: Jon Fredrik Baksaas, Jan Carlson and Eric A. Elzvik

Approval of Board of Directors fees:

Chairman: SEK 4,075,000 (unchanged)

Other non-employee Board members: SEK 990,000 each (unchanged)

Chairman of the Audit Committee: SEK 350,000 (unchanged)

Other non-employee members of the Audit Committee: SEK 250,000 each (unchanged)

Chairmen of the Finance and Remuneration Committees: SEK 200,000 each (unchanged)

Other non-employee members of the Finance and Remuneration Committees: SEK 175,000 each (unchanged)

Chairman of the newly-established Technology and Science Committee: SEK 200,000

Other non-employee members of the newly-established Technology and Science Committee: SEK 175,000 each

Approval for part of the Directors' fees to be paid in the form of synthetic shares

Approval of Guidelines for remuneration to Group Management

Implementation of a Long-Term Variable Compensation Program 2017 for the members of the Global Leadership Team, including a share issue of and authorization to the Board to buy back 3,000,000 shares for the program.

#### **Information on new Board members**

##### **Jon Fredrik Baksaas**

Born 1954. Master of Science in Economics, NHH Norwegian School of Economics & Business Administration, Norway.

Board member: Svenska Handelsbanken AB.

Holdings in Ericsson: None.\*

Principal work experience and other information: President and CEO of Telenor (2002-2015). Previous positions within the Telenor Group since 1989, including deputy CEO, Chief Financial Officer and CEO of TBK AS. Previous positions include CFO of Aker AS, finance director of Stolt Nielsen Seaway AS and controller at Det Norske Veritas, Norway and Japan. Member of the GSMA Board (2008-2016) and Chairman of the GSMA Board (2014-2016).

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### **Jan Carlson**

Born 1960. Master of Science degree in Engineering Physics and Electrical Engineering, the University of Linköping, Sweden.

Board Chairman: Autoliv Inc.

Board member: BorgWarner Inc., Teknikföretagen, The Confederation of Swedish Enterprise and Trelleborg AB.

Holdings in Ericsson: 7,900 Class B Shares.\*

Principal work experience and other information: President and CEO of Autoliv Inc. since 2007 and Chairman of Autoliv Inc. since 2014. Previous positions within the Autoliv Group since 1999, including President Autoliv Europe, Vice President Engineering of Autoliv and President Autoliv Electronics. Previous positions include President of Saab Combitech and of Swedish Gate Array.

### **Eric A. Elzvik**

Born 1960. Master of Science in Business Administration, Stockholm School of Economics, Sweden.

Board member: IMD Foundation, Lausanne and the Swiss Swedish Chamber of Commerce, Zurich, Switzerland.

Holdings in Ericsson: 10,000 Class B shares\*.

Principal work experience and other information: Chief Financial Officer and member of the Group Executive Committee of ABB Ltd (2013-2017). Division CFO ABB Discrete Automation & Motion (2010-2012) and division CFO Automation Products Division (2006-2010). Previous positions within the ABB Group since 1984, including senior management positions within finance, mergers & acquisitions and new ventures.

\* The holdings in Ericsson are as of the date of the notice convening the Annual General Meeting and includes holdings by related persons as well as holdings of ADS, if applicable.

The minutes from the AGM 2017 are available on Ericsson's website.

The employee representatives appointed as of March 29, 2017 are: Kjell-Åke Soting, Roger Svensson and Karin Åberg, with the deputies Torbjörn Nyman, Anders Ripa and Loredana Roslund.

### **The Nomination Committee's independence assessment**

Before the AGM 2017, the Nomination Committee considered that at least the following Board members were independent in respect of all applicable independence requirements:

- a. Jon Fredrik Baksas
- b. Jan Carlson
- c. Nora Denzel

d. Eric A. Elzvik

e. Leif Johansson

f. Kristin Skogen Lund

g. Kristin S. Rinne

h. Sukhinder Singh Cassidy

**New Board Committee on Technology and Science and new Committee members**

At the statutory Board meeting held in connection with the Annual General Meeting 2017, the Board resolved to establish a new Board Committee on Technology and Science and the following Board members were appointed members of the new Committee: Kristin S. Rinne (Chairman), Jan Carlson, Nora Denzel and Roger Svensson (employee representative).

The tasks of the Committee include monitoring and preparing for consideration and/or resolution of the Board various matters relating to technology strategy and direction, technical matters, technology ecosystem and science direction.

The Board members appointed to the other Board Committees as of March 29, 2017 are:

Audit Committee: Eric A. Elzvik (Chairman), Nora Denzel, Kristin Skogen Lund and Karin Åberg (employee representative) Finance Committee: Leif Johansson (Chairman), Helena Stjernholm, Jacob Wallenberg and Roger Svensson (employee representative) Remuneration Committee: Leif Johansson (Chairman), Jon Fredrik Baksaas, Sukhinder Singh Cassidy and Kjell Åke Soting (employee representative) .

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**Results for the First Quarter of 2017**

For information about our results for the first quarter of 2017, see the report on Form 6-K filed with the SEC on April 26 2017, which is incorporated herein by reference.

**ITEM 9. THE OFFER AND LISTING**

**A. Offer and Listing Details**

The information set forth under the section Shareholders Share information Share and ADS prices of the 2016 Swedish Annual Report is incorporated herein by reference.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

The information set forth the section Shareholders Share information Share trading of the 2016 Swedish Annual Report is incorporated herein by reference.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

Telefonaktiebolaget LM Ericsson is registered under no. 556016 0680 in the Company Register kept by the Swedish Companies Registration Office. Our Company's objective and purposes are described in article 2 of the Articles of Association, as follows: The objects of the Company are to, directly or indirectly, develop, construct, produce, sell and deliver and in other forms carry on trade and other commercial business related to goods, products and other equipment as well as maintenance and other services based on telecommunication and radio technology and other technologies for transference, transmission and other communications of speech, data, images, text, other kinds of information and means of payment and to carry on other activities consistent therewith.

Our Articles of Association do not stipulate anything regarding:

a director's power to vote on a proposal, arrangement, or contract in which the director is materially interested;

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our directors' power to vote for compensation to themselves;

our directors' borrowing powers;

retirement rules for our directors; or

the number of shares required for a director's qualification.

Applicable provisions are found in the Swedish Companies Act (2005:551) (the "Swedish Companies Act"), as referred to in "Certain Powers of Directors and the President" below.

In addition to being of legal age, there are no age limit restrictions for directors and they are not required to own any shares in the Company.

***Share Capital, Increases of Share Capital and Preferential Rights of Shareholders***

The Articles of Association of Ericsson provide that the share capital of the Company may not be less than SEK 6,000,000,000 nor more than SEK 24,000,000,000, and that the number of shares in the Company shall amount to no less than 3,000,000,000 and no more than 12,000,000,000. The registered share capital is SEK 16,655,758,678 and the Company has in total issued 3,331,151,735 shares.

The Company's shares are divided into three series: Class A shares, Class B shares and Class C shares; however, no Class C shares are currently outstanding. Under the Swedish Companies Act, shareholders must approve each issue of additional shares either by deciding on the share issue at a shareholders' meeting, or by a shareholders' approval of a decision on a share issue by the Board, or by giving an authorization to the Board to decide about a share issue. If we decide to issue new Class A, Class B and Class C shares by means of a cash issue, or an issue against payment through set-off of claims, Class A, Class B and Class C shareholders (except for Ericsson and its subsidiaries, in the event they hold shares in Ericsson) have a primary preferential right to subscribe for new shares of the same type in relation to the number of shares previously held by them. Shares not subscribed for through a preferential right shall be offered to all shareholders for subscription on a pro rata basis. If we decide to issue new shares of only one series by means of a cash issue or an issue against payment through set-off of claims, all shareholders, regardless of whether their shares are Class A, Class B or Class C, are entitled to a preferential right to subscribe for new shares in proportion to the number of shares previously held by them. Shareholders may vote to waive shareholders' preferential rights at a general meeting.

If we decide to issue warrants or convertibles through a cash issue or an issue against payment through set-off of claims, the shareholders have preferential rights to subscribe to warrants as if the issue were of the shares that may be subscribed to pursuant to the warrant and, respectively, preferential rights to subscribe to convertibles as if the issue were of the shares that the convertibles may be converted to.

The above does not constitute any restriction to waive the shareholders' preferential rights when deciding on either an issue of shares, warrants or convertibles by means of a cash issue or an issue against payment through set-off of claims.

***Dividends***



Our Class A and Class B shareholders have the same right to dividends. Class C shareholders do not have any right to dividends, as described in article 6 of our Articles of Association. No Class C shares are currently outstanding.

Under Swedish law, only a general meeting of shareholders may decide on payment of dividends, which may not exceed the amount proposed by the Board of Directors (except in certain limited circumstances), and may only be paid from funds legally available for that purpose. Under Swedish law, no interim dividends may be paid in respect of any fiscal period for which audited financial statements of the company have not yet been adopted by the annual general meeting of shareholders. The market practice in Sweden is most often for dividends to be paid annually. Under the Swedish Companies Act, dividends to shareholders and other transfers of value from a company such as purchases of own shares (see below) may only be made in case the company's restricted equity remains fully covered after the transfer of value has been made. The calculation shall be based upon the most recently adopted

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balance sheet, and any changes in the restricted equity that has occurred after the balance sheet date shall be taken into account. In addition, dividends to shareholders and other transfers of value from the company may only be made if this is justifiable taken into account the type of business activities of the company, their scope and risks related thereto and the company's need for financial resources, its liquidity and financial position. In respect of parent companies, also the business activities of the group, their scope and risks related thereto and the group's need for financial resources, its liquidity and financial position shall be taken into account.

The Company's shares are registered in the computerized book-entry share registration system administered by Euroclear Sweden AB ( Euroclear ). The rights attached to shares eligible for dividends accrue to those persons whose names are recorded in the register of shareholders on the record day. The dividends are then sent to a specified account as directed by the person registered with Euroclear, or to the address of that person. The relevant record day must, in most circumstances, be specified in the resolution declaring a dividend or resolving upon a capital increase or any similar matter in which shareholders have preferential rights, or the Board of Directors must be authorized to determine the relevant record day.

Where the registered holder is a nominee, the nominee receives, for the account of the beneficial owner, dividends and, on issues of shares with preferential rights for the shareholders, shares, as well as rights. Dividends are remitted in a single payment to the nominee who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is adopted for share issues. Specific authority to act as a nominee must be obtained from Euroclear. At the request of Euroclear, the nominee must provide information about all beneficial holders of shares to Euroclear. Euroclear is required to keep a register with regard to any holding on behalf of a single beneficial owner in excess of 500 shares in any one company. This list is prepared every third month and must reveal the names of the beneficial owner and be open to public inspection.

## ***Voting***

In a general meeting of Ericsson, each Class A share shall carry one vote, each Class B share one tenth of one vote and each Class C share one-thousandth of one vote.

We are required to publish notices to attend annual general meetings no earlier than six weeks and no later than four weeks prior to the annual general meeting and the same notice period requirements apply regarding extraordinary general meetings concerning changes in our articles of association. Notices to attend other types of extraordinary general meetings at Ericsson must be published no earlier than six weeks and no later than three weeks prior to the general meeting.

Directors are elected during the annual general meeting for a period of one year at a time and do not stand for reelection at staggered intervals.

A shareholder may attend and vote at the meeting in person or by proxy. For companies whose shares are registered in a central securities depository register, proxies are valid for up to five years from the date of issuance. Any shareholder wishing to attend a general meeting must notify us no later than on the day specified in the notice. We are required to accept all notifications of attendance received at least five business days (Saturdays normally included) prior to the meeting. A person designated in the register as a nominee (including the depository of the ADSs) is not entitled to vote at a general meeting, nor is a beneficial owner whose share is registered in the name of a nominee (including the depository of the ADSs) unless the beneficial owner first arranges to have such owner's own name entered in the register of shareholders maintained by Euroclear no later than the designated record day.

Under the Swedish Companies Act, elections are determined by a plurality vote. Resolutions, other than elections, are passed by a simple majority of votes cast at the meeting with the chairman of the meeting having a decisive vote, unless otherwise required by law or a company's articles of association. Under the Swedish Companies Act, certain resolutions require special quorums and majorities, including, but not limited to, the following:

- a)** a resolution to amend the articles of association requires a majority of two-thirds of the votes cast as well as two-thirds of the shares represented at the meeting, except in those circumstances described in b) d) below;
  
- b)** a resolution to amend the articles of association which reduces any shareholder's rights to profits or assets, restricts the transferability of shares or alters the legal relationship between shares, normally requires the unanimous approval of the shareholders present at the meeting and who hold nine-tenths of all outstanding shares;

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- c) a resolution to amend the articles of association for the purpose of limiting the number of shares with which a shareholder may vote at a general meeting or allocating part of the net profit for the fiscal year to a restricted fund or limiting the use of the company's profits or assets in a liquidation or dissolution, normally requires the approval of shareholders representing two-thirds of the votes cast and nine-tenths of the shares represented at the meeting;
- d) a resolution of the kind referred to under B or C above may, however, be taken with a lower supermajority requirement if the amendments referred to therein will only adversely affect specific shares or classes of shares. In such cases, the requirement under A above will apply together with the following separate supermajority: (a) where only a class of shares is adversely affected, approval of the owners of one-half of all shares of such class and nine-tenths of the shares of such class represented at the meeting, or (b) where the shares adversely affected do not constitute a class of shares, the unanimous approval of all such affected outstanding shares present at the meeting and who hold nine-tenths of all outstanding shares adversely affected;
- e) a resolution to issue, approve or authorize the issuance for cash of new shares, warrants or convertibles with a deviation from the preferential right for existing shareholders requires a two-thirds majority of votes cast at the meeting as well as two-thirds of the shares represented at the meeting;
- f) a resolution to reduce the outstanding share capital requires a two-thirds majority of votes cast at the meeting as well as two-thirds of the shares represented at the meeting. In case there are several classes of shares in a company, the above described majority requirement shall apply also within each share class represented at the meeting and for which the rights of the shares are adversely affected; and
- g) a resolution to approve a merger requires a two-thirds majority of the votes cast at the meeting and two-thirds of the shares represented at the meeting (however, under certain circumstances a higher majority is required).

At a general meeting of shareholders, a shareholder or proxy for one or more shareholders may cast full number of votes represented by the holder's shares.

***Purchase of Own Shares***

A Swedish public limited liability company whose shares are traded on a regulated market place within the European Economic Area ( EEA ) or a market place comparable to a regulated market place outside the EEA is entitled to purchase its own shares under certain conditions. A purchase by us of our own shares may take place only if (a) the purchase has been decided upon by a general meeting of shareholders or the Board has been authorized by a general meeting of shareholders, in both cases by a two thirds majority of votes cast at the meeting as well as two-thirds of the shares represented at the meeting, (b) the purchase is effected on a regulated market place within the EEA or a market place comparable to a regulated market place outside the EEA (in the latter case with the approval of the Swedish Financial Supervisory Authority the SFSA ) or pursuant to an offer to all shareholders or holders of a specific class of shares, (c) the Company's restricted equity will still be fully covered and the purchase is justifiable taken into account the type of business activities of the Company and the group, their scope and risks related thereto and the Company's and the group's need for financial resources, their liquidity and financial position, and (d) we and our subsidiaries do not hold or, as a result of purchase, will not hold in excess of 10% of all our outstanding shares. As of December 31,

2016, the Company held an aggregate of 62,192,390 treasury stock of Class B shares.

***Investment Restrictions***

There are no limitations imposed by Swedish law or by our Articles of Association in respect of the rights of non-residents or foreign persons to purchase, own or sell securities issued by us.

There are, however, certain flagging and ownership examination rules that apply, irrespective of nationality.

Pursuant to the Swedish Financial Instruments Trading Act any change in a holding of shares, depository receipts with voting rights or financial instruments that entitle the holder to acquire shares in issue in a Swedish limited liability company whose shares are admitted for trading on a regulated market place within the EEA shall be reported

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by the holder to the company and the SFSA, where the change entails that the holder's portion of all shares or votes in the company reaches, exceeds or falls below any of the limits of 5, 10, 15, 20, 25, 30, 50, 66 2/3 or 90 per cent. Such a change should, as a main rule, be reported not later than three trading days following the day on which the party with a duty to report has entered into an agreement for the acquisition or transfer of shares or any other change to the shareholding has occurred.

In addition, the EU Market Abuse Regulation requires, among other things, that the Company holds a register of all persons discharging managerial responsibilities and of persons closely associated with them. The Company and the SFSA must be notified of certain transactions conducted by the aforementioned persons. Such notifications shall be made no later than three business days after the date of the transaction.

### **C. Material Contracts**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Financials Board of Directors report

Material contracts

### **D. Exchange Controls**

There is no Swedish legislation affecting the import or export of capital or the remittance of dividends, interest or other payments to non-resident holders of our securities, except that, subject to the provisions in any tax treaty, dividends are subject to withholding tax.

### **E. Taxation**

#### ***General***

The taxation discussion set forth below does not purport to be a complete analysis or listing of all potential tax effects relevant to the acquisition, ownership or disposition of Class B shares or ADSs. The statements of United States and Swedish tax laws set forth below are based on the laws in force as of the date of this report and may be subject to any changes in United States or Swedish law, and in any double taxation convention or treaty between the United States and Sweden, occurring after that date, which changes may then have retroactive effect.

Specific tax provisions may apply for certain categories of taxpayers. Your tax treatment if you are a holder of Class B shares or ADSs depends in part on your particular situation. If you are a holder of Class B shares or ADSs, you should therefore consult a tax advisor as to the tax consequences relating to your particular circumstances resulting from the ownership of Class B shares or ADSs.

The tax consequences to holders of ADSs, as discussed below, apply equally to holders of Class B shares.

*Certain Swedish Tax Considerations*

This section describes the material Swedish income and net wealth tax consequences for a holder of ADSs or Class B shares who is not considered to be a Swedish resident for Swedish tax purposes. This section applies to you only if you are a holder of portfolio investments representing less than 10% of capital and votes and is not applicable if the ADSs or Class B shares pertain to a permanent establishment or fixed place of business in Sweden.

Taxation on Capital Gains

Generally, non-residents of Sweden are not liable for Swedish capital gains taxation with respect to the sale of ADSs or Class B shares. However, under Swedish tax law, capital gains from the sale of shares in Swedish companies and certain other securities by an individual may be taxed in Sweden at a rate of 30% if the seller has been a resident of Sweden or has lived permanently in Sweden at any time during the year of the sale or the 10 calendar years preceding the year of the sale (absent treaty provisions to the contrary). The provision is applicable to ADSs or Class B shares. From January 1, 2008, the rule has been extended so that it also applies to shares in foreign companies, provided that the shares were acquired during the time that the person was liable to tax in Sweden.

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This provision may, however, be limited by tax treaties that Sweden has concluded with other countries. Under the tax treaty between Sweden and the United States (the U.S. Tax Treaty ), this provision applies for ten years from the date the individual became a non-resident of Sweden.

## Taxation on Dividends

A Swedish dividend withholding tax at a rate of 30% is imposed on dividends paid by a Swedish corporation, such as us, to non-residents of Sweden. The same withholding tax applies to certain other payments made by a Swedish corporation, including payments as a result of redemption of shares and repurchase of stock through an offer directed to its shareholders. Exemption from the withholding tax or a lower tax rate may apply by virtue of a tax treaty. Under the U.S. Tax Treaty, the withholding tax on dividends paid on portfolio investments to eligible U.S. holders is reduced to 15%.

Under all Swedish tax treaties, except the tax treaty with Switzerland, withholding tax at the applicable treaty rate should be withheld by the payer of the dividends. With regard to dividends paid from shares in corporations registered with the Euroclear Sweden (such as our shares), a reduced rate of dividend withholding tax under a tax treaty is generally applied at the source by the Euroclear Sweden or, if the shares are registered with a nominee, the nominee, as long as the person entitled to the dividend is registered as a non-resident and sufficient information regarding the tax residency of the beneficial owner is available to the Euroclear Sweden or the nominee.

In those cases where Swedish withholding tax is withheld at the rate of 30% and the person who received the dividends is entitled to a reduced rate of withholding tax under a tax treaty, a refund may be claimed from the Swedish tax authorities before the end of the fifth calendar year following the year that the distribution was made.

## Taxation on Interest

No Swedish withholding tax is payable on interest paid to non-residents of Sweden.

## Net Wealth Taxation

The Swedish net wealth tax has been abolished from January 1, 2007.

## ***Certain United States Federal Income Tax Consequences***

The following discussion is a summary of the material United States federal income tax consequences relevant to the ownership and disposition of ADSs or Class B shares. This discussion is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended (the Code ), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions) as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect. The discussion is not a full discussion of all tax considerations that may be relevant to the ownership and disposition of ADSs or Class B shares, and does not address the Medicare tax on net investment income or the effects of any state, local or foreign tax laws. The discussion applies only if you will hold the ADSs and/or the Class B shares as capital assets and you use the USD as your functional currency. It does not deal with the tax treatment of investors subject to special rules, such as grantor trusts, real estate investment trusts, regulated investment companies, banks, brokers or dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of recording for their securities holdings, financial institutions, insurance companies, tax-exempt entities, investors liable for alternative minimum tax, holders (either actually or constructively) of 10% or more of the voting power of our shares, persons holding ADSs and/or Class B shares as part of a hedging, straddle, conversion or constructive sale transaction and persons who are resident or ordinarily resident in Sweden. In addition,



investors holding ADSs and/or Class B shares indirectly through partnerships are subject to special rules not discussed below. You should consult your own tax advisors about the United States federal, state, local and foreign tax consequences to you of the ownership and disposition of the ADSs or Class B shares.

The discussion below applies to you only if you are a beneficial owner of ADSs and/or Class B shares not resident in Sweden for purposes of the U.S. Tax Treaty and you are, for United States federal income tax purposes, (1) a citizen or resident of the United States, (2) a corporation or any other entity treated as a corporation that is organized in or under the laws of the United States or its political subdivisions, including the District of Columbia, (3) a trust if

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all of the trust's substantial decisions are subject to the control of one or more United States persons and the primary supervision of the trust is subject to a United States court, or if a valid election is in effect with respect to the trust to be taxed as a United States person, or (4) an estate the income of which is subject to United States federal income taxation regardless of its source.

The discussion below assumes that the representations contained in the deposit agreement governing the ADSs are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with the terms. If you hold ADSs, you will be treated as the holder of the underlying Class B shares represented by those ADSs for United States federal income tax purposes.

## Dividends

Subject to the passive foreign investment company rules discussed below, the gross amount of dividends paid (before reduction for any Swedish withholding taxes) with respect to the ADSs or Class B shares generally will be included in your gross income as ordinary income from foreign sources to the extent paid out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes). Distributions in excess of earnings and profits will be treated as a non-taxable return of capital to the extent of your adjusted tax basis in the ADSs or Class B shares and thereafter as capital gain. The dividends will not be eligible for the dividends received deduction available to corporations in respect of dividends received from other U.S. corporations. The amount of any dividend paid in SEK will be the USD value of the dividend payment based on the exchange rate in effect on the date of receipt (or constructive receipt) by you, in the case of Class B shares, or by the depository, in the case of ADSs, whether or not the payment is converted into USD at that time. Your tax basis in the SEK received will equal such USD amount. Gain or loss, if any, recognized on a subsequent sale or conversion of the SEK will be U.S. source ordinary income or loss.

If you are a non-corporate holder of ADSs or Class B shares, dividends you receive on the ADSs or Class B shares may be taxed at the lower applicable long-term capital gains rate provided that (1) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year, (2) certain holding period requirements are met, (3) you are not under any obligation to make related payments with respect to substantially similar or related property and (4) either (a) in the case of ADSs our ADSs continue to be listed on the Nasdaq Stock Market (or a national securities exchange that is registered under section 6 of the Securities Exchange Act of 1934, as amended) or (b) we are eligible for the benefits of the U.S. Tax Treaty. You should consult your own tax advisors regarding the availability of the lower rate for dividends paid with respect to ADSs or Class B shares.

Subject to certain limitations, you will generally be entitled to receive credit against your United States federal income tax liability (or a deduction against your United States federal taxable income) with respect to any Swedish tax withheld in accordance with the U.S. Tax Treaty and paid over to Sweden. If a refund of the tax withheld is available to you under the laws of Sweden or under the U.S. Tax Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against your United States federal income tax liability (and will not be eligible for the deduction in computing your United States federal taxable income). For foreign tax credit limitation purposes, dividends will be income from sources without the United States, and will generally be treated as passive category income (or, in the case of certain holders, general category income).

## Sale or Exchange of ADSs or Class B shares

Subject to the passive foreign investment company rules discussed below, you will generally recognize capital gain or loss on the sale or other disposition of the ADSs or Class B shares equal to the difference between the USD value of

the amount realized and your adjusted tax basis (determined in USD) in the ADSs or Class B shares. Such gain or loss will generally be long-term capital gain or loss if you have held the ADSs or Class B shares for more than one year, and will generally be treated as arising from U.S. sources for foreign tax credit limitation purposes. If you are a non-corporate holder of ADSs or Class B Shares, long-term capital gains are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

The amount realized on a disposition of ADSs or Class B shares for cash will generally be the amount of cash you receive for the ADSs or Class B shares (which, in the case of payment in a non-U.S. currency, will equal the USD value of the payment received determined on (a) the date of receipt of payment if you are a cash basis taxpayer and (b) the date of disposition if you are an accrual basis taxpayer). If the ADSs or Class B shares are treated as traded on an

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established securities market, if you are a cash basis taxpayer (or, if you are an accrual basis taxpayer, if you so elect) you will determine the USD value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

You will have a tax basis in any foreign currency received equal to the USD value thereof on the date of receipt. Any gain or loss you realize on a subsequent sale or conversion of foreign currency will be U.S. source ordinary income or loss.

## Passive Foreign Investment Company Status

A non-U.S. corporation is a passive foreign investment company (a PFIC) in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (a) at least 75% of its gross income is passive income or (b) at least 50% of the quarterly average value of its assets is attributable to assets that produce or are held to produce passive income. Based on the market value of our shares, the composition of our assets and income and our operations, we believe we were not a PFIC during the year 2016. However, whether or not we will be considered a PFIC will depend on the nature and source of our income and the composition and value of our assets, as determined from time to time. If we are treated as a PFIC, we will not provide information necessary for the qualified electing fund election as the term is defined in the relevant provisions of the Code. You should consult your own tax advisors about the consequences of our potential classification as a PFIC.

If we were classified as a PFIC with respect to your ADSs or Class B shares for any taxable year we would generally continue to be a PFIC (unless certain conditions are met) and you would be subject to special rules with respect to:

any gain realized on the sale or other disposition of ADSs or Class B shares; or

any other excess distribution made to you (generally, any distributions to you in respect of ADSs or Class B shares during a single taxable year that are, in the aggregate, greater than 125% of the average annual distributions received by you in respect of ADSs or Class B shares during the three preceding taxable years or, if shorter, your holding period for ADSs or Class B shares).

Under these rules:

the gain or any other excess distribution would be allocated ratably over your holding period for ADSs or Class B shares;

the amount allocated to the taxable year in which the gain or excess distribution was realized and any year before we became a PFIC would be taxable as ordinary income and

the amount allocated to each prior year, other than the current year and any taxable year prior to the first taxable year in which we were a PFIC, would be subject to tax at the highest applicable marginal tax rate in effect for each such year; and an interest charge would be imposed.

If we are a PFIC for any taxable year, you will also be deemed to own shares in any of our subsidiaries that are also PFICs in such a year. As an alternative to the special rules described above, holders of marketable stock in a PFIC may elect mark-to-market treatment with respect to their ADSs or Class B shares. ADSs or Class B shares will not be considered marketable stock unless they are regularly traded on a qualified exchange or other market. If the mark-to-market election is available and you elect mark-to-market treatment you will, in general, include as ordinary income each year an amount equal to the increase in value of your ADSs or Class B shares for that year (measured at the close of your taxable year) and will generally be allowed a deduction for any decrease in the value of your ADSs or Class B shares for the year, but only to the extent of previously included mark-to-market income. In addition, any gain you recognize upon the sale or other disposition of the ADSs or Class B shares will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of previously included mark-to-market income. Any loss in excess of previously included mark-to-market income will be treated as a capital loss. However, a mark-to-market election would likely be unavailable with respect to your proportionate share in any of our subsidiaries that are PFICs.

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If you own ADSs or Class B shares during any year in which we are a PFIC, you will generally be required to make an annual return on IRS Form 8621.

## **Information Reporting and Backup Withholding**

In general, information reporting requirements will apply to dividends paid in respect of ADSs or Class B shares and the proceeds received on the sale or exchange of the ADSs or Class B shares within the United States or by a broker with certain United States connections. Backup withholding may apply to payments to you of dividends paid in respect of ADSs or Class B shares or the proceeds of a sale or other disposition of ADSs or Class B shares if you fail to provide an accurate taxpayer identification number (certified on IRS Form W-9) or, upon request, to certify that you are not subject to backup withholding, or otherwise to comply with the applicable requirements of the backup withholding rules. The amount of any backup withholding from a payment to you will be allowed as a credit against your United States federal income tax liability and a refund of any excess amount withheld under the backup withholding rules may be obtained by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

## **Additional Reporting Requirements**

Certain holders who are individuals may be required to report information relating to an interest in ADSs or Class B shares, subject to certain exceptions (including an exception for ADSs or Class B shares held in accounts maintained by certain financial institutions). Holders should consult their tax advisors regarding the effects, if any, of these requirements on their ownership and disposition of ADSs or Class B shares.

### **F. Dividends and Paying Agents**

Not applicable.

### **G. Statement by Experts**

Not applicable.

### **H. Documents on Display**

Annual reports and other information are filed with, or furnished to, the SEC in the United States, pursuant to the rules and regulations that apply to foreign private issuers. Electronic access to these documents may be obtained from the SEC's website, [www.sec.gov](http://www.sec.gov), where they are stored in the EDGAR database.

### **I. Subsidiary Information**

See Item 4.C. Information on the Company – Organizational Structure.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**A. Quantitative information about market risk**

The information set forth under the section Financials Notes to the consolidated financial statements Note C20 Financial risk management and financial instruments of the 2016 Swedish Annual Report is incorporated herein by reference.

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**B. Qualitative information about market risk**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Financials Board of Directors report

Risk management

Notes to the consolidated financial statements

Note C20 Financial risk management and financial instruments

Corporate Governance

Corporate Governance report 2016

Management Risk management

**C. Interim periods**

Not applicable.

**D. Safe harbor**

Not applicable.

**E. Small business issuers**

Not applicable.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. Debt Securities**

Not applicable.



**B. Warrants and Rights**

Not applicable.

**C. Other Securities**

Not applicable.

**D. American Depositary Shares  
Depositary fees, charges and payments**

On October 24, 2016, Ericsson and the depositary of our ADSs, Deutsche Bank Trust Company America ( Deutsche Bank ) agreed to an amendment to the Deposit Agreement with Deutsche Bank and holders of our ADRs. The Deposit Agreement, as amendment, is filed as an exhibit to this Annual Report on form 20-F. The disclosure below reflects the amendment.

**Table of Contents*****Fees and charges payable by ADS holders***

	<b>Service</b>	<b>Rate</b>	<b>By whom paid</b>
1)	Receipt of deposits and issuance of receipts	Up to USD 5 per 100 American Depositary Shares of fraction thereof	Party to whom receipts are issued
2)	Delivery of deposited shares against surrender of receipts	Up to USD 5 per 100 American Depositary Shares or fraction thereof	Party surrendering receipts
3)	Distribution of Cash Dividends and Cash Proceeds	Up to USD 3 per 100 American Depositary Shares	All holders of American Depositary Shares
4)	Administration of the ADSs	Up to USD 3 per 100 American Depositary Shares per annum	All holders of American Depositary Shares

Except as otherwise provided in the Deposit Agreement, any and all other expenses of the depositary, including without limitation, expenses or charges for printing, stationery, postage, insurances, cables, etc, are to be borne by the depositary, or by the Company in accordance with agreements entered into from time to time with the Company.

***Fees payable by the Depositary to the Issuer***

Deutsche Bank has agreed to pay Ericsson a yearly fixed amount for revenues collected by Deutsche Bank as a result of charging issuance and cancellations fees and dividend or administrative fees from our ADS holders. In 2016, such amount received by Ericsson totalled approximately USD 8 million.

Deutsche Bank has further agreed to waive the costs associated with the administration of the ADS Program and reporting services. In 2016, the total amount of such expenses was approximately USD 78,000.

**PART II****ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

**ITEM 15. CONTROLS AND PROCEDURES****A. Disclosure Controls and Procedures**

The information set forth under the section Corporate Governance Corporate Governance report 2016 Internal control over financial reporting 2016 Disclosure controls and procedures of the 2016 Swedish Annual Report is incorporated herein by reference.

**B. Management s Annual Report on Internal Control Over Financial Reporting**

The information set forth under the section Financials Management s report on internal control over financial reporting of the 2016 Swedish Annual Report is incorporated herein by reference.

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**C. Attestation Report of the Registered Public Accounting Firm**

The information set forth under the section Financials Report of independent registered public accounting firm of the 2016 Swedish Annual Report is incorporated herein by reference.

**D. Changes in Internal Control Over Financial Reporting**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

Corporate Governance

Corporate Governance report 2016

Internal control over financial reporting 2016 Internal control over financial reporting

Financials

Management's report on internal control over financial reporting

**ITEM 16. [RESERVED]**

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

The information set forth under the section Corporate Governance Corporate Governance report 2016 Committees of the Board of Directors Audit Committee Members of the Audit Committee of the 2016 Swedish Annual Report is incorporated herein by reference.

**ITEM 16B. CODE OF ETHICS**

The information set forth under the following headings of the 2016 Swedish Annual Report is incorporated herein by reference:

The business

Sustainability and corporate responsibility

Financials Board of Directors report

Corporate Governance Business integrity

Corporate Governance

Corporate governance report 2016

Regulation and Compliance Code of business ethics

Our Code of Business Ethics is included on our web site at [www.ericsson.com/code-of-business-ethics](http://www.ericsson.com/code-of-business-ethics). We intend to disclose any waivers to or amendments of our Code of Business Ethics for the benefit of our executive officers on our website to the extent public disclosure is required under applicable rules.

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**ITEM 16C.PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information set forth under the Section Financials Notes to the consolidated financial statements Note C30 Fees to auditors of the 2016 Swedish Annual Report is incorporated herein by reference.

***Audit committee pre-approval policies and procedures***

The Audit Committee reviews and approves the scope of audits to be performed by external and internal auditors and analyzes their results and costs. The Committee keeps the Board of Directors informed about the external and internal auditors performance. It also makes recommendations to the Nomination Committee regarding the external auditor s election and fees. In order to ensure the external auditor s independence, the Audit Committee has established pre-approval policies and procedures for non-audit services to be performed by the external auditor. Pre-approval authority may not be delegated to management. The policies and procedures include a list of prohibited services and services that require pre-approval by the Committee. Such services fall into two broad categories:

General pre-approval certain services regarding taxes, transactions, risk management, business improvement, attestation and accounting services and the so called general services (other than prohibited services) have received general pre-approval by the Audit Committee, provided that the estimated fee for each project does not exceed SEK 1 million. The external auditor must advise the Audit Committee with a quarterly summary of ongoing projects related to non-audit services and year-to-date report of fees and expenses for all audit and non-audit services.

Specific pre-approval all other non-audit services and services subject to general pre-approval exceeding SEK 1 million must receive specific pre-approval. The external auditor submits an application in writing to the Parent Company for final approval by the Audit Committee, including a statement as to whether, in the view of the external auditor, the contemplated services are consistent with applicable rules on their independence. The Audit Committee Chairman has the delegated authority for specific pre-approval in between Committee meetings, provided that the estimated fee in each case does not exceed SEK 2.5 million. The Chairman reports any pre-approval to the Audit Committee at its next meeting.

All services provided by the independent auditors were pre-approved in 2016.

**ITEM 16D.EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

All members of the Audit Committee of a NASDAQ New York-listed company must be independent in accordance with NASDAQ New York and SEC rules. SEC Rule 10A-3(b)(1)(iv)(C) under the Exchange Act includes a specific exemption from these independence requirements for Audit Committee members of foreign private issuers who are non-executive employee representatives appointed to the Audit Committee pursuant to local law. The Company relies on this exemption, and does not consider that such reliance materially adversely affects the ability of the Audit Committee to act independently or to satisfy other SEC requirements applicable to Audit Committees.

**ITEM 16E.PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

None.

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**ITEM 16G. CORPORATE GOVERNANCE**

Ericsson, as a company whose shares are listed on NASDAQ New York, is subject to the listing requirements and certain of the corporate governance requirements of NASDAQ New York and to certain rules of the SEC.

All members of the Audit Committee of a NASDAQ New York- listed company must be independent in accordance with NASDAQ New York and SEC rules. SEC rules include a specific exemption from these independence requirements for Audit Committee members of foreign private issuers who are non-executive employee representatives appointed to the Audit Committee pursuant to local law. The Company relies on this exemption, and does not consider that such reliance materially adversely affects the ability of the Audit Committee to act independently or to satisfy other SEC requirements applicable to Audit Committees.

Under NASDAQ New York rules, Ericsson is permitted to follow home country practices in lieu of certain NASDAQ corporate governance requirements that would apply to US companies listed on NASDAQ New York. The rules require disclosures regarding the ways in which Ericsson's corporate governance practices differ from those required of US companies under the rules of NASDAQ New York.

These differences include the following:

Employee representatives are appointed to Ericsson's Board of Directors and serve on Committees (including the Audit and the Remuneration Committees) in accordance with Swedish law.

Employee representatives on the Ericsson Board and Committees may attend all meetings of the Board and committees on which they serve (including those of the Audit and the Remuneration Committees) in accordance with Swedish law.

In accordance with Swedish market practices, the Nomination Committee is not fully comprised of Board members. In addition to the Chairman of the Board, representatives of the four largest shareholders are appointed as members of the Nomination Committee of Ericsson.

The determination regarding independence of Board members is made by the Nomination Committee prior to the Annual General Meeting ( AGM ) instead of the Board. Before the AGM 2016, the Nomination Committee determined that the following Board members were independent under all applicable independence requirements, including the NASDAQ New York rules: Nora Denzel, Leif Johansson, Ulf J. Johansson, Kristin Skogen Lund, Kristin S. Rinne, and Sukhinder Singh Cassidy. When appointing members to the Committees of the Board, the Board of Directors makes determinations regarding Committee member independence.

The Board of Directors holds non-executive Directors sessions but does not have regularly scheduled meetings with only independent directors present.



Under applicable Swedish rules, we are not required to publicly disclose the material terms of all agreements and arrangements between any of our directors or nominees for directors and any person or entity (other than us) relating to compensation or other payment in connection with such person's candidacy or service as a director of our company.

The external auditor is elected by the shareholders and is proposed by the Nomination Committee upon recommendation from the Audit Committee.

NASDAQ New York rules applicable to US companies require the consideration of six factors relating to the independence of compensation consultants, legal counsel or other advisers retained by compensation or remuneration committees. Consistent with Swedish practices, the Remuneration Committee's procedures addressing independence of advisers do not expressly require the consideration of those six factors.

Ericsson does not solicit proxies for shareholder meetings, which is in accordance with Swedish practices and rules.

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There are no minimum quorum requirements for shareholder meetings under Swedish law, except under certain limited circumstances. Certain resolutions requiring special quorums and majorities are described under Memorandum and Articles of Association.

Some of the requirements addressed by NASDAQ New York rules are included in the Swedish Corporate Governance Code or the work procedure for the Board of Directors instead of Committee charters. The work procedure establishes the attribution of various responsibilities among the Board, its Committees and the President and CEO. The work procedure for the Board is reviewed, evaluated and amended as required or appropriate, and adopted by the Board at least once a year.

See Item 8.B. Financial Information Significant Changes herein.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

See our consolidated financial statements and accompanying notes of the 2016 Swedish Annual Report.

Consolidated income statement and Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of cash flows

Consolidated statement of changes in equity

Notes to the consolidated financial statements

Report of independent registered public accounting firm

**ITEM 18. FINANCIAL STATEMENTS**

Not applicable.

**ITEM 19. EXHIBITS**

The exhibit index attached hereto is incorporate herein by reference.

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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

**TELEFONAKTIEBOLAGET LM  
ERICSSON**

By: /s/ ROLAND HAGMAN  
Name: Roland Hagman  
Title: Vice President, Group Controller

By: /s/ NINA MACPHERSON  
Name: Nina Macpherson  
Title: Senior Vice President, Chief Legal  
Officer

Date: April 26, 2017

**Table of Contents****EXHIBIT INDEX**

The agreements and other documents filed as exhibits to this 2016 Form 20-F are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the registrant in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

<b>Exhibit Number</b>	<b>Description</b>
1	Articles of Association of Telefonaktiebolaget LM Ericsson (amended April 2016)
2.1	Second Amended and Restated Deposit Agreement Among Telefonaktiebolaget LM Ericsson (publ) and Deutsche Bank Trust Company Americas, as depositary, and holders of American Depositary Receipts, dated as of January 7, 2014 (incorporated herein by reference to Exhibit 2 to the Annual Report on Form 20-F for the year ended December 31, 2014 filed by the registrant on March 31, 2015 (File No. 000-12033 )
2.2	Amendment No. 1, dated as of October 24, 2016, to the Second Amended and Restated Deposit Agreement Among Telefonaktiebolaget LM Ericsson (publ) and Deutsche Bank Trust Company Americas, as depositary, and holders of American Depositary Receipts, dated as of January 7, 2014
6	See Financials Notes to the consolidated financial statements Note C1 - Significant accounting policies of the 2016 Swedish Annual Report
7	For definitions of certain ratios used in this report, see the section of the 2016 Swedish Annual Report entitled Financial Terminology
8	See Item 4.C. Organizational Structure
12.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1**	Swedish Annual Report for 2016 in English (adjusted version)
15.2	Consent of PriceWaterhouseCoopers AB

\* This certification will not be deemed filed for purposes of Section 18 of the Exchange Act (15 U.S.C. §78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

\*\* Certain of the information included in Exhibit 15.1 is incorporated by reference into this 2016 Form 20-F, as specified elsewhere in this report, in accordance with Rule 12b-23(a)(3) of the Securities Exchange Act of 1934, as amended. With the exception of the items so specified, the 2016 Swedish Annual Report is not deemed to be filed as part of this 2016 Form 20-F.