



ERICSSON

LIVING IN THE NETWORKED SOCIETY

ANNUAL REPORT 2013

138TH YEAR OF OPERATIONS



LIVING IN THE NETWORKED SOCIETY

New solutions are transforming the way people, business and society communicate and collaborate. Ericsson is expanding its position in the ICT (Information and Communication Technology) industry, helping create the Networked Society.



Our focus on profitability is now starting to pay off. Operating income was up from SEK 10.5 billion in 2012 to SEK 17.8 billion in 2013, with our operating margin increasing from 5% to 8%.

Hans Vestberg, President and CEO



MORE INFORMATION



The Annual Report describes Ericsson's financial and operational performance during 2013. A Corporate Governance Report is attached to the Annual Report.

Find our Annual Report online:
www.ericsson.com/annualreport2013

We issue a separate Sustainability and Corporate Responsibility Report.
www.ericsson.com/thecompany/sustainability_corporateresponsibility

There is further information on sustainability and corporate responsibility on page 19 and pages 44–46.

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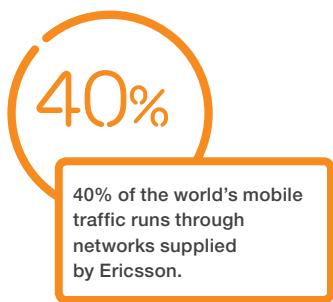
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* Chapters covered by the Auditors' report.

THIS IS ERICSSON

We are a world-leading provider of communications networks, telecom services and support solutions. Here we look at some of the factors that make Ericsson unique.



Life in the Networked Society is becoming a reality for billions of people and millions of businesses around the world. As everything becomes connected, our world is changing. Our lives are changing. At Ericsson, we are proud of the central role we are playing in this evolution, using innovation to empower people, business and society. The solutions we provide allow people to communicate, work, study, do business and live more freely. They help create more efficient and more sustainable societies.

We have been leaders in telecommunications and related services ever since Lars Magnus Ericsson founded the company in 1876. Today, we are expanding into the Information and Communications Technology (ICT) arena, and becoming a major ICT solutions provider.

It is a natural progression: our research and innovations made mobile communications and broadband possible, and those technologies are powering modern technologies such as cloud computing, smart grids, machine-to-machine (M2M) communication and m-commerce.

Every time you make a call or use an app on your smartphone, tablet or mobile computer, you are probably using one of our solutions and one of the networks provided or managed by us. When you watch video or TV, there is a good chance that one of our solutions is behind it – maybe even one of the technologies that have won us four Emmy awards.

As well as the advanced technology, we also provide world-leading services, software and infrastructure, mainly to telecom operators.

Ericsson has always been a company driven by innovation – in technology and business. That is why we were the pioneers in managed services. That is why we hold so many standards-essential patents. We see our leadership in technology and services as one of the foundations of our business.

- > Some 40 percent of global mobile traffic runs through networks we have supplied
- > Every major telecom operator in the world buys solutions or services from Ericsson

OUR SEGMENTS

Today, Ericsson has more than 114,000 people serving customers in over 180 countries. Our business is divided into four segments:



For more information on our solutions please go to page 22

NETWORKS

We provide the network infrastructure needed for mobile and fixed communication, including 2G, 3G and 4G radio networks, and IP core and transport networks. Our cost-efficient networks offer superior performance and ensure a quality user experience.

Revenue

SEK 117.7 BN
(2012: 117.3 bn)

Market share estimate

25% in network equipment, key segments*

Operating margin

10%
(2012: 6%)

Market position

#1
in radio access

GLOBAL SERVICES

Through our 64,000 services professionals around the world, we deploy, operate and evolve networks and related support systems. Global Services includes professional services and network rollout.

Revenue

SEK 97.4 BN
(2012: 97.0 bn)

Market share estimate

13%
in a telecom services

Operating margin

6%
(2012: 6%)

Market position

#1
in telecom services

* Key segments include Radio IP and Transport as well as Core.

- > We manage networks that serve more than 1 billion subscribers globally
- > With more than 35,000 granted patents, we have one of the industry's strongest patent portfolios.

OUR REGIONS

As a global company, we have created an efficient go-to-market organization based on 10 regions. Backed by our collective global knowledge, our regional competence and close customer relationships provide a solid foundation for profitable growth. In each of our regions, we work closely with customers to develop innovative, scalable solutions that help them increase revenue and reduce costs.

We share best practices across regions, which boosts both quality and efficiency. When a successful customer solution is identified and proven in one region, we can roll it out around the world, sharing common processes, methods and tools.

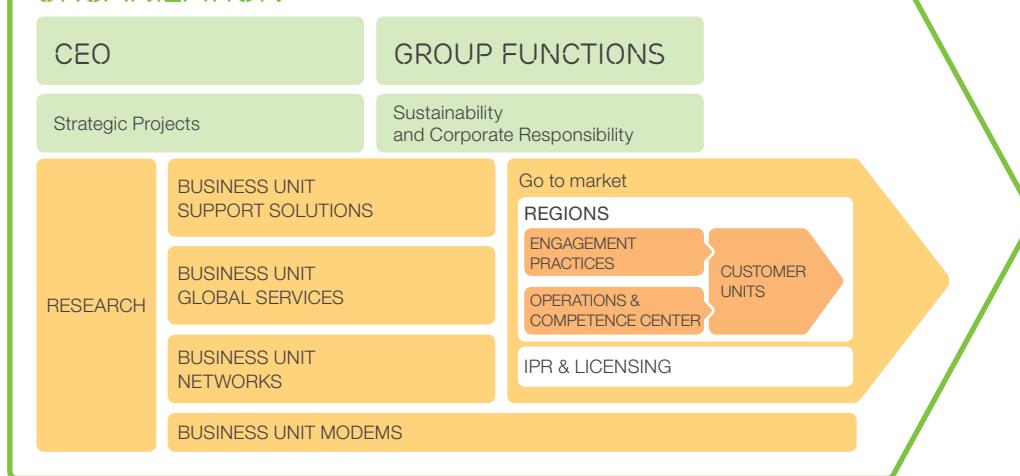
This knowledge-sharing, the expertise and local knowledge gained through working closely with customers combine to create global scale, another of the pillars of our business success.

Operators look to long-term partners such as Ericsson for support in every aspect of their business. To ensure a consistent offering towards all customers and enable economies of scale, the same set of engagement practices operate in each region: Mobile Broadband; Communication Services; Fixed Broadband and Convergence; Managed Services; Operations and Business Support Systems; and Television and Media Management.

BUSINESS UNITS

To best reflect our business, Ericsson reports four business segments. They are reflected in the four business units, each of which is responsible for developing and maintaining its specific portfolio of products, solutions and services.

ORGANIZATION



CUSTOMERS

SUPPORT SOLUTIONS

The Support Solutions segment focuses on software for operations and business support systems (OSS and BSS), as well as TV and media management, and m-commerce.

Revenue	Market share estimate
SEK 12.2 BN (2012: 13.5 bn)	25% in IPTV
Operating margin	Market position
12% (2012: 9%)	#1 in OSS and BSS

MODEMS

A new segment in 2013, for design, development and sales of LTE multi-mode thin modems. The modem portfolio targets smartphone and tablet manufacturers.

Multi-technology and multi-band connectivity is essential for the Networked Society.

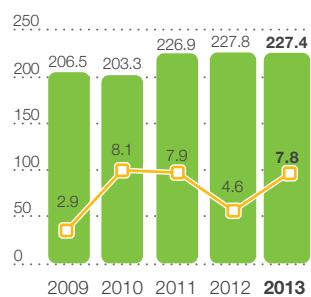
Using your smartphone, scan this code to view a short film about the Networked Society.
Or visit: www.ericsson.com/thinkingahead/networked_society



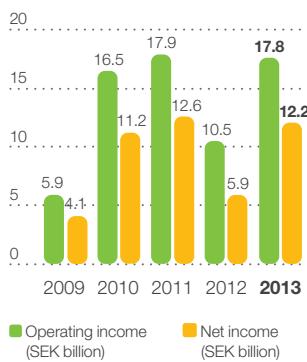
2013 AT A GLANCE

A look at some of the most important measures of our performance, and a summary of business highlights from around the world during 2013.

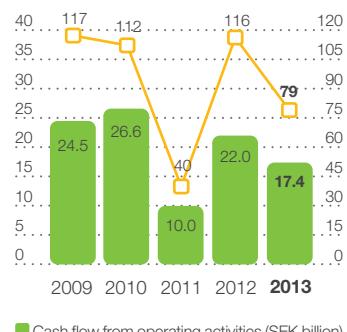
**Net sales
and operating margin incl. JV**
SEK billion Percent



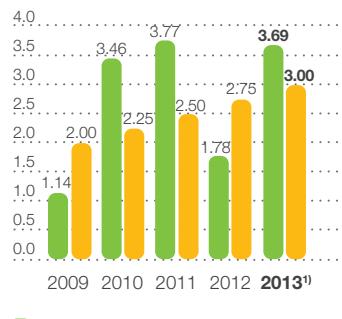
**Operating income
and net income incl. JV**
SEK billion



**Cash flow from operating
activities and cash conversion**
SEK billion Percent



**Earnings per share (EPS)
and dividend per share**
SEK



1) Dividend for 2013 as proposed by the Board of Directors

Net sales
SEK billion

227.4
(2012: 227.8)

Operating margin incl. JV
Percent

7.8
(2012: 4.6%)

Operating income
SEK billion

17.8
(2012: 10.5)

Earnings per share (EPS)
SEK

3.69
(2012: 1.78 SEK)

2013 IN REVIEW

JANUARY – MARCH

- > In line with Ericsson's services strategy to broaden its IT capabilities, the Company announced the intention to acquire Devoteam Telecom & Media operations in France, bringing consulting and systems integration capabilities.



- > Ericsson signed managed services agreements comprising fixed and mobile networks for telecom operators in India and Russia. Ericsson is responsible for network operations and field maintenance, and for driving modernization of tools, processes and best practices, in order to maximize operational efficiencies.

- > UK operator O2 signed an agreement with Ericsson to provide a 4G/LTE-compatible core network and to deploy RBS 6000 multi-standard radio base stations for 50% of O2's radio access network in the UK.

- > Ericsson introduced a service to provide testing and verification for devices and applications in its global device labs. Devices can be tested before launch to help make them more network-friendly, as well as to make networks themselves more device-friendly.

- > At Mobile World Congress (MWC), Ericsson met numerous customers, showcased a series of world firsts and launched new products and services, including in the areas of mobile broadband, operation and business support systems (OSS and BSS), m-commerce and managed services. Ericsson also announced its network-enabled cloud concept, a business platform that enables operators to generate new revenues and evolve network capabilities.

APRIL – JUNE



- > Ericsson announced its intention to acquire Microsoft Mediaroom, making Ericsson a leading player for innovative video distribution and IPTV across multiple networks and devices. The importance of video distribution capabilities is increasing as more and more LTE networks are deployed.
- > Energy company E.ON selected Ericsson to operate more than 600,000 smart metering points for its Swedish operations. Ericsson provides a hosted solution, including consulting and systems integration services.
- > Ericsson was named the global leader in telecom operations management by industry analyst firm Gartner.
- > Following the acquisition of Canadian Wi-Fi company BelAir Networks, Ericsson announced its 3GPP-compliant Wi-Fi network solution. It enables operators to incorporate telecom-grade Wi-Fi into their heterogeneous networks so that smartphone traffic can seamlessly shift between 3GPP and Wi-Fi networks.
- > Ericsson reached a milestone by providing managed services to networks that serve 1 billion subscribers.
- > Russian operator MTS selected Ericsson to build an LTE network covering approximately half of Russia. Ericsson supplies hardware and services for radio access and core networks. Under the three-year agreement, MTS's 2G and 3G networks will also be further developed in several Russian regions.

JULY – SEPTEMBER

- > Acquisition of Canadian Telcocell broadened Ericsson's systems integration capabilities for business support systems (BSS) in North America and strengthened its full ICT transformation services. Multi-vendor BSS systems integration and consulting are of great importance at the intersection of IT and telecom.

- > South Korean operator LG U+ commercially launched Ericsson's LTE-Advanced (LTE-A) with carrier aggregation, combining spectrum bands for higher broadband speeds.
- > Ericsson and STMicroelectronics completed the split-up of the former ST-Ericsson joint venture on August 2.

- > Ericsson announced it would build three Global ICT Centers to support R&D in developing and verifying solutions, bringing innovations to the market faster.

- > Redefining the small-cell market, Ericsson announced the Ericsson Radio Dot System: a cellular radio unit that is small enough to fit in a hand, and provides enough indoor network coverage for a crowd. It enables operators and enterprises to offer a complete indoor solution for mobile broadband and voice services.



- > Russian operator Rostelecom, a provider of broadband and pay TV, has deployed the world's largest operator content-delivery network (CDN) through a solution developed and integrated by Ericsson. The CDN is ground-breaking in terms of both capability and geographic span.

OCTOBER – DECEMBER



- > To meet the demand from traffic streams generated by innovative cloud services, Ericsson announced a new multiple-application board for the family of Smart Services Routers (SSR). This board is powered by the SNP 4000, a revolutionary processor introduced by Ericsson in March 2013.

- > As the world's first LTE broadcast on a live network, Australian operator Telstra activated Ericsson's LTE Broadcast solution on its commercial network to deliver high-quality video without buffering.

- > Ericsson's complete Voice-over-LTE (VoLTE) solution was selected by Japanese operator SoftBank Mobile. Ericsson's VoLTE solution offers telecom-grade HD voice and video calling alongside simultaneous enriched multimedia services on LTE smartphones.

- > Ericsson was selected by China Mobile to deploy LTE in 15 provinces in mainland China. Ericsson is the main supplier of the core network and will deploy a radio access network based on its RBS 6000 radio base station. The contract also includes network design and optimization services.

- > Japanese operator KDDI selected Ericsson as one of the prime vendors to deploy its LTE system and Evolved Packet Core (EPC) network. This was the first time that KDDI selected Ericsson to implement a radio access network, based on RBS 6000. In addition to network solutions, Ericsson will provide related services such as network rollout and systems integration.

LETTER FROM THE CEO

Ericsson is on a journey of transformation. Building on our technology and services leadership in telecoms, we are becoming a leader in Information and Communications Technology (ICT), a driving force in the Networked Society. Let us look at some milestones from last year, and explore the road ahead.



DEAR SHAREHOLDERS

As the world is changing into a Networked Society, it is starting to transform virtually all industries. The music industry was early out with digital distribution and new business models as a result of mobility, broadband and cloud creating new opportunities. The networks are becoming more relevant not only to people using their smartphones, but also to businesses and society at large. In light of this development, both operators and vendors are making strategic choices based on their respective assets. It is a truly exciting time in the industry.

Let's look more closely at developments at Ericsson in 2013. In our core business, we redefined the small-cell market with our Radio Dot System. We have established ourselves in the Chinese 4G market with TD-LTE, after a weaker position in 3G where we did not participate in the TD-SCDMA technology. The majority of the European network modernization projects, which put pressure on our margins in recent years, are now behind us; in line with our strategy we now have a strong installed base in Europe. In parallel, we have strengthened in services across North America and are now the leaders in both infrastructure and telecom services in the world's most advanced ICT market.

We have continued with our strategy of expanding into targeted areas such as TV and media, IP, cloud, as well as OSS and BSS. And we have refocused our position in modems, winding up the ST-Ericsson joint venture and establishing our own thin modems business. We further strengthened our global services capabilities all over the world. And we continue to invest in research and development – SEK 162 billion in the past five years alone. We build on our core assets – our technology and services leadership and our global scale – as part of our constant evolution, something that is vital for maintaining our leading position in a transforming industry.



By 2019, we expect to see 9 billion mobile subscriptions, with three times as many smartphones as today, and 8 billion mobile broadband subscriptions.





Earnings per share, diluted

SEK 3.69
(2012: 1.78)

Our technology leadership is built on our investments in R&D and evidenced by more than 35,000 granted patents, one of the industry's strongest patent portfolios. During the year we closed an IPR (intellectual property rights) and licensing agreement with Samsung that is important not only to Ericsson but to the whole industry as it shows the benefits of sharing technology on fair, reasonable and non-discriminatory (FRAND) terms. The multi-year agreement, which ends the patent-related legal disputes between the companies, consists of an initial payment and ongoing royalty payments going forward.

Profitability

Our focus on profitability is now starting to pay off, with stable margins in Professional Services and a steady improvement in Networks during the year. Operating income was up from SEK 10.5 billion in 2012 to SEK 17.8 billion in 2013, with our operating margin increasing from 5% to 8%.

In North America we saw a strong start to the year as two major coverage projects peaked, with a subsequent weaker second half of 2013. We expect more capacity projects in Networks, continued momentum for Professional Services and growth in Support Solutions such as TV and media following the acquisition of Mediaroom from Microsoft.

As I mentioned earlier, the big European network modernization projects are coming to an end and we expect the telecom industry in Europe to improve, driven by macroeconomic improvements as well as a recent investment announcement by a large operator that could trigger others to invest.

It was a challenging year in Northeast Asia. This was primarily due to reduced activity and currency headwinds in Japan, where we are approaching completion of a major project, and a structural decline in GSM sales in China. But late in the year we won important contracts for rolling out 4G both in China and Japan.

And now we have integrated Modems into the business, providing the device connectivity that is so important in the Networked Society.

Growth

From 2012 to 2016, we expect a compound annual growth rate of more than 4% in the market segments that we address, measured in USD, with some variation between market segments and years.

The underlying fundamentals for growth in the industry are intact. Mobile broadband continued to grow, with subscriptions increasing 40% to 2.1 billion during 2013. By 2019, we expect to see 9 billion mobile subscriptions, with three times as many smartphones as today, and 8 billion mobile broadband subscriptions.

Sustainable development was high on the agenda during 2013 and we lead the industry

in working holistically with sustainability issues to drive growth in a way that positively impacts the triple bottom line. We focus on the issues where we can make the biggest difference: accessibility and affordability of mobile communication; the energy and materials performance of our products and solutions and our own activities; climate change and urbanization, business ethics, and employee engagement. We have made progress during the year and we will continue to use our strength to ensure that technology is a force for positive, lasting change in the world.

Strategic direction

We have set out a clear long-term strategy framework, where we are determined to evolve to become the industry leader in the Networked Society. This framework has three components:

- > Excel in our core business – radio, core and transmission, and telecom services
- > Establish leadership in targeted areas – modems, cloud, IP networks, TV and media, as well as OSS and BSS
- > Expand business in new areas.

The road ahead

The key focus areas outlined at our 2013 Investor Day remain the foundation for our strategy for 2014 and the years ahead.

- > We will continue to pursue profitable growth, by making the most out of our existing footprint, increasing sales in new and targeted areas, increasing the share of IPR and software sales, and improving earnings in network rollout.
- > We will continue to reduce costs and improve efficiency, thanks to a better order-to-cash process and structural improvements; by industrializing, centralizing and automating our processes, and getting the most out of our global skills base; and by continuing to implement lean and agile ways of working across our R&D.
- > And we will keep on demonstrating commercial excellence, by evolving our infrastructure software model to a complete ICT environment, through consistent price management and by getting a price premium for first-class network performance.

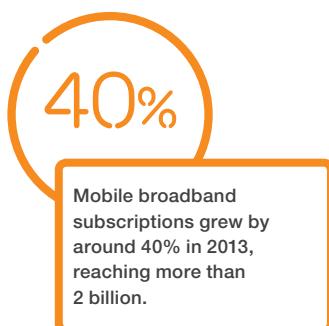
The long-term fundamentals in the industry remain attractive and we are in a strong position to capture the opportunities that lie ahead.

To assist me in achieving this, I have a dedicated, global organization with talented employees who work tirelessly to ensure that Ericsson continues to generate sustainable value for our shareholders and customers.

Hans Vestberg
President and CEO

MARKET TRENDS

New ICT solutions are transforming the way people, business and society communicate and collaborate.



The Networked Society brings innovation and progress to private life, business and society. New forms of collaboration, participation and sharing, as well as new ways to meet customer needs and build value, are making the network more and more essential to all aspects of everyday life.

All around the world, people are demanding greater mobility, better broadband and more access to cloud-based services. These three factors are driving the evolution of the Networked Society.

MOBILE BROADBAND OPPORTUNITIES

Connections are the starting point of the Networked Society. There are currently approximately 6.7 billion mobile subscriptions around the world, and the proportion of the global population with mobile network access

– known as population coverage – is constantly increasing as more radio base stations are deployed. And the different generations of mobile technology are reaching out to more and more people every year.

GSM/EDGE technology has by far the widest reach today, covering more than 85% of global population. The areas yet to be reached by GSM/EDGE in those countries that use the technology are sparsely populated.

Further expansion of WCDMA/HSPA will be driven by increased user demand for internet access, the growing affordability of smartphones and regulatory requirements to connect the unconnected.

Even in the early days of LTE rollout, at the end of 2012, it was estimated that the technology covered 10% of the world's population. Looking ahead six years, Ericsson predicts that this will increase to more than 65%.

In 2013, global smartphone shipments outnumbered those of classic feature phones.

Monthly data traffic per active device (GB)

	2013 forecast
Smartphone	0.6 2.2
Mobile PC	3.3 13
Tablet	1.0 4.5

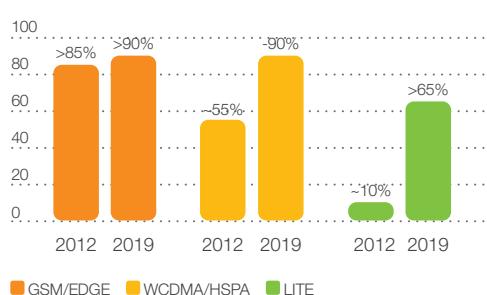
Total monthly mobile data traffic is estimated to grow tenfold between 2013 and 2019

Total smartphone data traffic is estimated to grow tenfold between 2013 and 2019

Source: Ericsson estimate

Population coverage by mobile technology

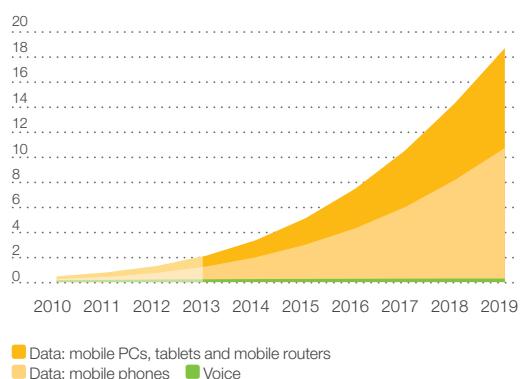
Percent



Source: Ericsson (November 2013)

Global mobile traffic 2010–2019

Monthly Exabytes (10^{18} B)



Source: Ericsson estimate

4X

4X growth in mobile broadband subscriptions between 2013 and 2019.
Ericsson estimate.

The 1.9 billion smartphones subscriptions today are mainly in mid-to-high-end markets; the next billion is set to be mass-market phones now being introduced at USD 50-100. The continued growth in smartphones is changing consumer behavior and creating new lifestyles around the world. Another factor is the accelerating usage of tablets of which only around 25% are currently connected to mobile networks.

A large proportion of the increasing data traffic – for smartphones, tablets and computers – comes from video, on websites, and through streaming, downloads, video applications and gaming. Video is more sensitive to network quality than many other forms of data traffic, a fact that makes network performance even more important.

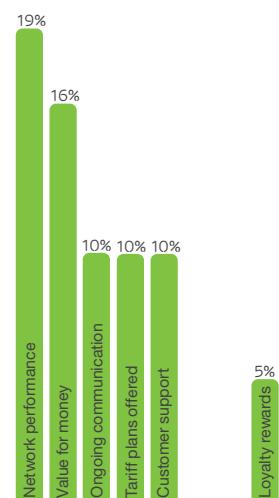
The opportunities that these factors represent will increase demand for networks, drive the expansion of mobile broadband and pave the way for growth in new information services and data business.

CHANGING CONSUMER EXPECTATIONS

Today's social, collaborative and sharing culture brings individual empowerment, new consumption patterns and stronger civic participation. It also brings an expectation of an always-on connection to the network and access to services wherever you are. For many people, a service delivered over the network – rather than ownership – is becoming the preferred way to consume and access content such as music and video, and is also becoming increasingly important in areas such as health, education and other public services.

Performance drives loyalty

Relative impact between each driver and loyalty to operator brand



Source: Ericsson ConsumerLab
Network Performance Study 2013

models. Rather than the all-you-can-eat models of a few years ago, we now see better-targeted offerings based on usage patterns, capacity, service bundles, multi-device plans and real-time features such as top-up plans. Operators are also increasing investments in, and focus on, developing new businesses in media and entertainment, cloud and IT services, machine-to-machine communications and enterprise offerings, as well as industry solutions in areas such as connected cars, health services and mobile money.

DIFFERENTIATION THROUGH NETWORK PERFORMANCE

In a smartphone and tablet-centric world, broadband becomes the main enabler and applications a key service model. The consumer and business user experience is increasingly determined by the actual performance of applications, and the network needs not only to provide access but also safeguard and optimize the actual performance of the applications used. Research by Ericsson ConsumerLab provides clear evidence of the business value of a superior consumer experience.

Operators that establish, demonstrate and promote a better user experience can take a lead in terms of satisfaction, loyalty and business value. Ericsson has established an approach to assessing and securing the performance of networks in relation to a real application experience. We call it App Coverage and have developed a set of indicators to measure and ensure network performance in terms of the application experience. We discuss this concept further in the Mobile Broadband section on Page 22.

OPERATOR TRANSFORMATION

Higher data volumes, more devices, demanding applications and new service offerings to consumers, enterprises and industries all increase pressure on operators to meet customer expectations. This calls for a rapid transformation where improved network performance, more efficient processes and better structured OSS and BSS implementations enable the proactivity, agility and performance that the business portfolio requires.

The combination of Ericsson's technology and services leadership with business expertise and wide network of partners allows us to contribute to both network and business transformation for operators in markets around the world.

OPERATOR BUSINESS DEVELOPMENT

Operators are at the center of the development of the Networked Society. Significantly, they are capitalizing on the growth in mobile broadband growth by introducing new pricing and revenue

MARKET TRENDS CONTINUED

OPERATOR EVOLUTION

Many operators are focusing on the user experience as a means of differentiation, with improved customer service and added-value services in order to increase customer loyalty and reduce retention costs. Increased focus on improved efficiency and core business is in many cases leading to new operational practices such as outsourcing and managed services partnerships.

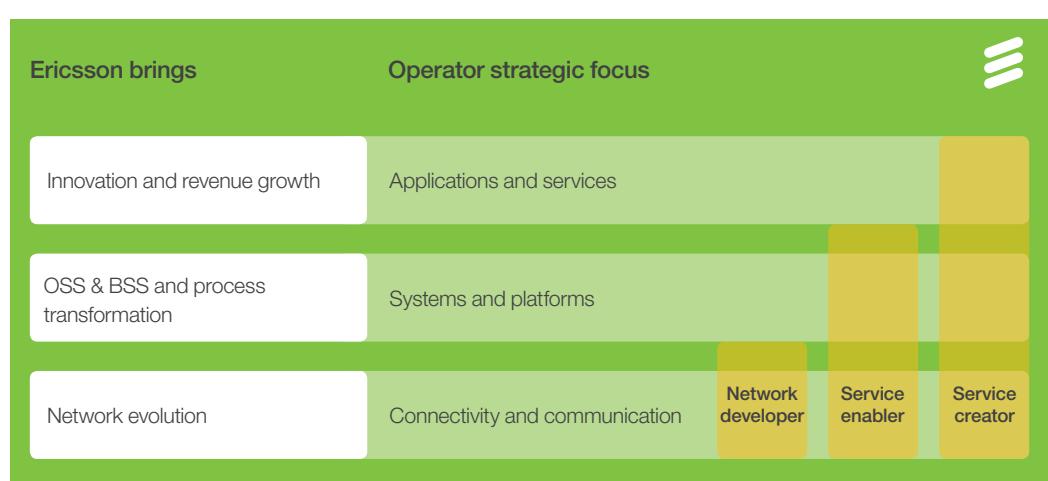
Operators are also taking a sharper strategic focus. The three roles here are representative strategies adopted by several customers:

- Network developers concentrate on connectivity and communication services. Network performance and efficiency are key priorities.
 - Service enablers establish systems and platforms that enable new enterprise practices such as IT cloud services and business processes as well as added-value services to enrich the consumer experience.
 - Service creators take the lead in providing innovative new services, and are active participants in the establishment of new ecosystems in markets such as digital health, connected cars, smart homes and cities.
- Ericsson works closely with operators to support their different strategic development

ambitions, providing solutions that grow business and meet the operational priorities of all three roles. Among our key offerings are:

- High-performance networks that meet the most demanding service requirements from users and are open for the development of new business in areas such as new connectivity services, machine-to-machine, IP, heterogeneous networks, cloud and data monetization.
- Network and business transformation to increase efficiency and provide a differentiated customer experience.
- Business support solutions that allow the agile introduction of new pricing models and offerings with appealing combinations of new subscription packages with added-value services and partnerships.
- Systems integration expertise and communication solutions that provide expansion opportunities and new enterprise offerings.
- Platforms and development projects to expand into industry-specific solutions with machine-to-machine and applications for specific industries.

Ericsson's technical and business expertise and solutions make it possible for operators to explore new roles and capture the new opportunities they can offer.



Source: Ericsson

OUR MARKETS

Understanding of our customers and their businesses helps us provide innovative offerings that ensure we and they stay ahead in every market.

CUSTOMERS IN MORE THAN 180 COUNTRIES

Ericsson's business is characterized by long-term relationships, mainly with large telecom operators. We serve more than 500 operator customers, and an increasing number of non-operator customers, in more than 180 countries. We have been in many of these markets for more than 100 years.

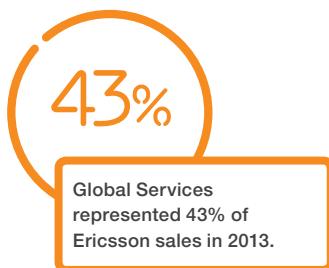
We provide solutions and services to all major telecom operators in the world. Sales to telecom operators represent the vast majority of our revenues. Our ten largest customers, of which half are multinational, account for 44% of net sales.

Our customers operate in a variety of markets and are at various levels of technological maturity. Their business focuses also differ depending on the maturity of their markets.

The installed base of radio networks is the foundation for Ericsson's business with mobile operators. We are also expanding into other domains such as IP core networks, OSS and BSS, as well as the TV and media markets.

Over the past ten years, we have built a significant services business, representing 43% of net sales in 2013 (42% in 2012). Ericsson pioneered managed services, and continues to be the undisputed leader. Success in areas such as managed services, consulting and systems integration in turn creates opportunities for more business.

In recent years, we have expanded into TV and media. Users are consuming more video, which is an increasing source of data traffic in mobile networks – 35% at the end of 2013. Video is forecast to account for more than half of all mobile network traffic in 2019. In this domain, we can reuse skills, methods and tools from our telecom managed services in the operation of broadcast services for TV and media companies.



Through the acquisition of Tandberg Television in 2007 and Microsoft's Mediaroom in 2013, we are now also a leader in the IPTV and video compression business, with multi-screen solutions for TV Anywhere.

REINVENTING THE WAY COMPANIES CREATE VALUE

To build the Networked Society, we have to offer our innovations more widely than to operators alone. This requires new ways to extend our reach. Today we also engage directly with customers in selected industry verticals – particularly utilities, transport and public safety.

Our aim is to reuse products, solutions and services for these customers. They either have similar business models to telecom operators, or gain from mobile broadband and the larger opportunity to connect anything that benefits from being connected. Connectivity is helping these sectors reinvent the way they create value.

Sometimes we do business in direct collaboration with these companies, and sometimes together with our operator customers. Business requirements – such as handling large volumes of subscription data, in machine-to-machine applications, for example – are often a common factor. Our strategy is to explore and commercialize emerging opportunities within and between these sectors.

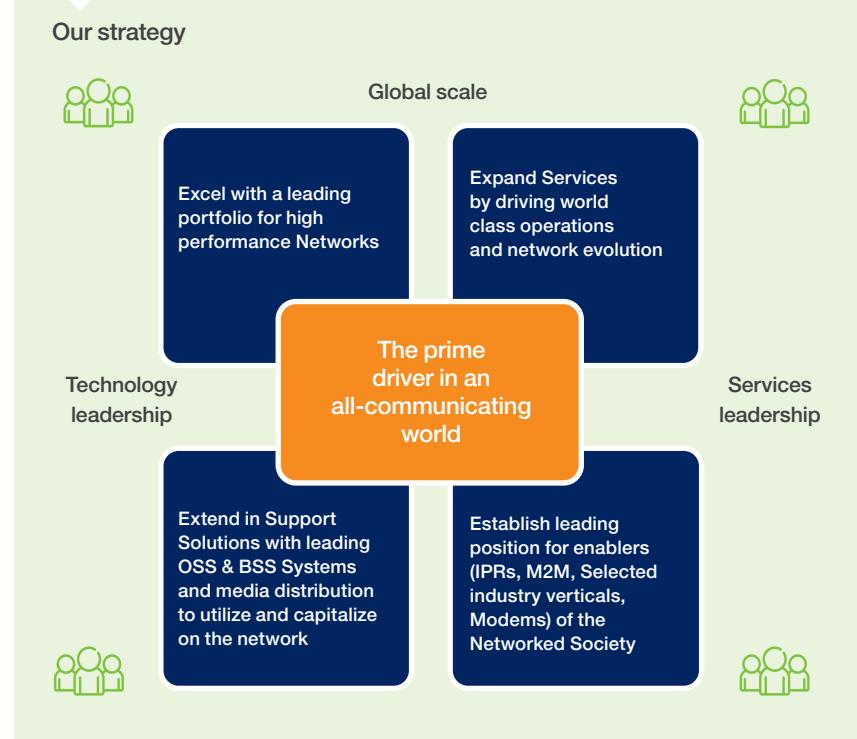
Since the split-up of our joint venture ST-Ericsson in 2013, and the establishment of the Modems segment, handset and device manufacturers have become a new customer segment, to whom we will supply multi-mode thin modems.

OUR STRATEGY

We aim to become a leading Information and Communications Technology (ICT) solutions provider by combining our core assets: Our people, our technology and services leadership, and global scale.

VISION AND MISSION

Ericsson's vision is to be the prime driver in an all-communicating world. By using innovation to empower people, business and society, we are enabling the Networked Society, in which everything that benefits from a connection will be connected.



OUR STRATEGY

Ericsson's strategy builds directly on our vision of a connected world in which broadband, mobility and the cloud combine to create the Networked Society.

The strategy is based on four pillars:

- > Excel in networks
- > Expand in services
- > Extend in support solutions
- > Establish a leading position in Networked Society enablers.

We are executing this strategy by leveraging our technology and services leadership combined with our global scale. These competitive advantages, together with the skills and experience of our employees, make Ericsson a true end-to-end business partner for network operators and customers in selected industry verticals as the Networked Society becomes a reality.

Our go-to-market approach is built on business units and regions. The business units develop solutions for specific business areas, while the regions cultivate strong relationships with our customers. This allows us to address customers' needs, keep them satisfied and ensure we always deliver what we promise.

Our position and our influence also give us an opportunity – and a responsibility – to help address urgent global challenges such as poverty, human rights and climate change.

EXCEL IN NETWORKS

We will excel with a leading portfolio for high-performance networks. Our wanted position is to remain No.1 in networks for service providers and lead the transition to the network architecture that will enable the Networked Society.

We intend to simplify the management of every component of an operator's network, while exploring opportunities to build new services based on areas such as big data and analytics on top of networks.

As the leader in radio evolution, Ericsson will continue to drive the introduction of new standards and technologies, while defending our existing business with a strong migration story. We can build on our leading position in mobile backhaul and packet core networks to grow our footprint in IP and transport, and use our network experience to create compelling cloud solutions.

EXPAND IN SERVICES

We expect to expand our No.1 position in services for operators by becoming a professional services partner to new types of customers in selected industry verticals. The strength of our services business proves the value of combining local capabilities with global scale, and we will continue with this proven strategy while prioritizing innovation, competence and cost control.

Top of the agenda is ensuring the continued transformation of our professional services capabilities. This means continuing to build capabilities in IT services and ensuring we reuse and standardize as much as possible – a process we refer to as services industrialization. We expect to also expand in product-related services, where we will extend our capabilities in designing and optimizing networks and move into services for heterogeneous networks, wireless networks that use a range of access technologies.

We expect to continue to lead in managed services. At the same time, we intend to build our consulting and systems integration competencies further, with an increased focus on extending our OSS, BSS and IP network transformation offerings, and continuing to explore opportunities in industry verticals.

EXTEND IN SUPPORT SOLUTIONS

Our priority is to extend our support solutions business with OSS and BSS as well as TV and media solutions to get the most out of networks. Ericsson strives to provide solutions that contribute to the best customer experience, business innovation and business efficiency.

We intend to build on our extensive installed OSS and BSS base to strengthen our position even further. In particular, we continue to focus on customer experience management and analytics, cloud and next-generation business intelligence. In addition, we intend to use our m-commerce strength in developing markets to provide banking capabilities to everyone.

Our acquisition of Microsoft's Mediaroom shows our commitment to capturing the opportunities created by the ongoing transformation of TV and media. Our ambition is to be the industry's TV and media partner of choice, and we strive to enable the most efficient video-delivery networks, exploit the growing need for on-demand content management and lead in the multi-screen and multi-platform market.

ESTABLISH A LEADING POSITION IN NETWORKED SOCIETY ENABLERS

With the Networked Society becoming a reality, we are establishing ourselves in the emerging new business landscape. Building on our technology and services leadership with intellectual property rights, machine-to-machine platforms and modems, we are creating new business with players across the selected industry verticals of the utility, transportation and public safety industries.

Ericsson's capabilities, combined with our proven record of commercializing advanced ICT solutions, position us perfectly to build solutions that bring new innovative capabilities into these industry verticals while providing new efficiencies of scale.

LONG-TERM STRATEGY FRAMEWORK

Evolving to be the industry leader in the Networked Society, based on our core business, we expect to grow in targeted areas and invest in new areas.

- › We are focusing on increasing profit from the portfolio in our core business.
- › We aim to establish leadership in the targeted areas of OSS and BSS, TV and Media, IP Networks, Cloud and Modems.
- › We are seeking to expand business in new areas that are critical to the Networked Society and where our capabilities will make a significant difference.

As we allocate capital to support this strategy, investment in services capabilities goes hand in hand with investment in product development. Our growth strategy, leveraging our market footprint, is primarily through organic growth, but also in combination with acquisitions and partnerships.

HOW WE CREATE VALUE

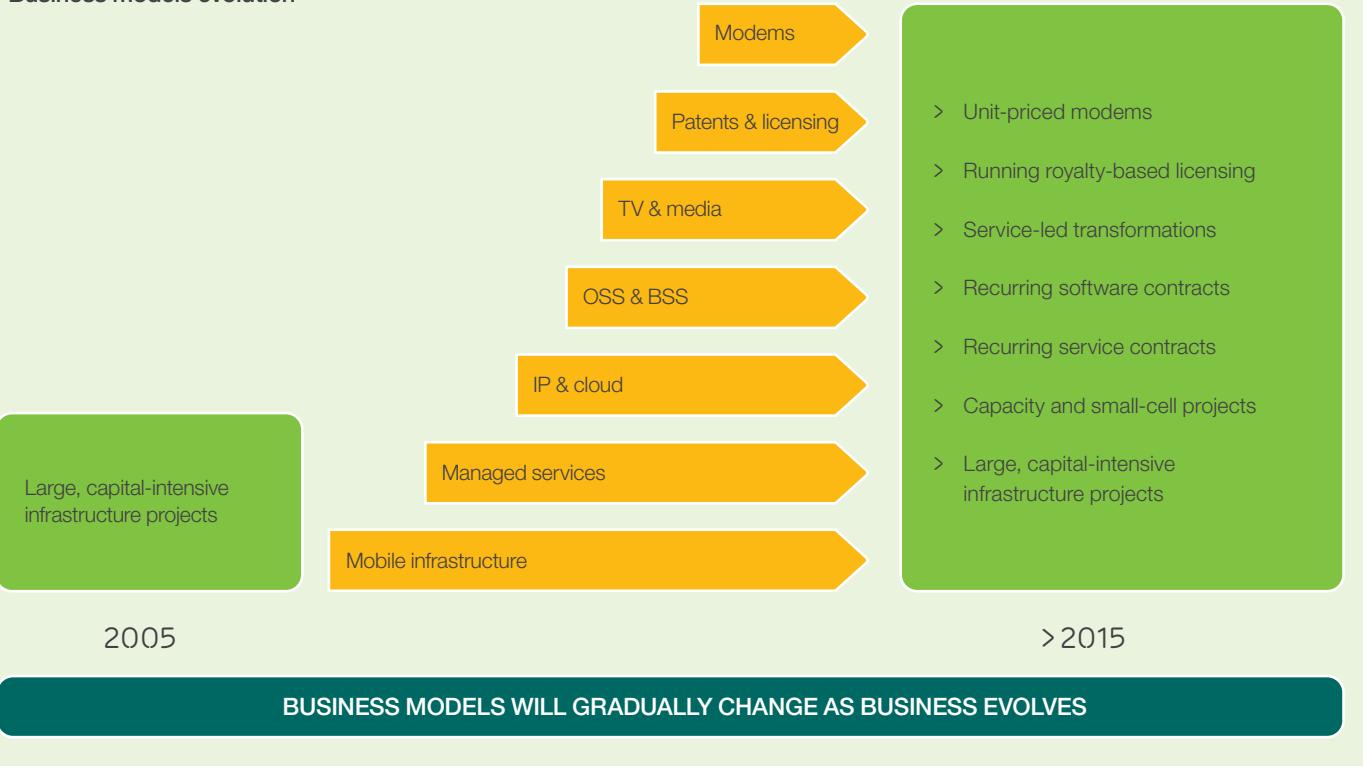
Ericsson develops and applies various business models for different types of businesses and different parts of the portfolio. Here we discuss two of our main business models targeting telecom operators.

Ericsson has worked for many years with large network-infrastructure projects. The operation of the resulting complex networks created a demand for managed services. The advent of mobile data led to a need for software-based support systems to monetize data services. Over the years, the business models have evolved to meet customer demand. All have similar basic investment-to-value models, but with some significant differences.

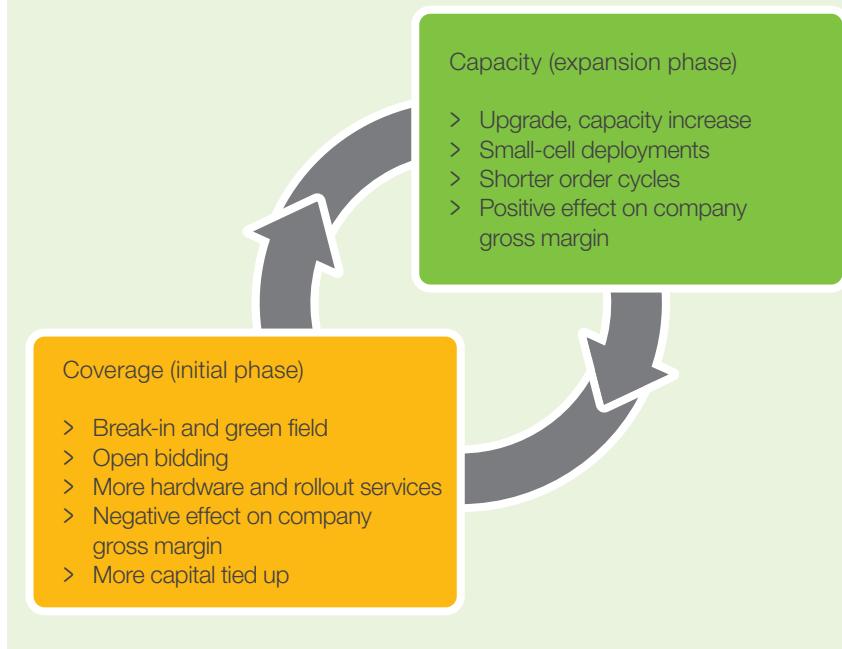
They all start with an initial investment phase, such as research and the development of new products, solutions and services.

The early phases of both infrastructure coverage and managed services projects have lower margins and profits, as explained in the diagrams on the opposite page. Profitability improves in both cases as the projects develop and mature.

Business models evolution



Mobile broadband infrastructure business model

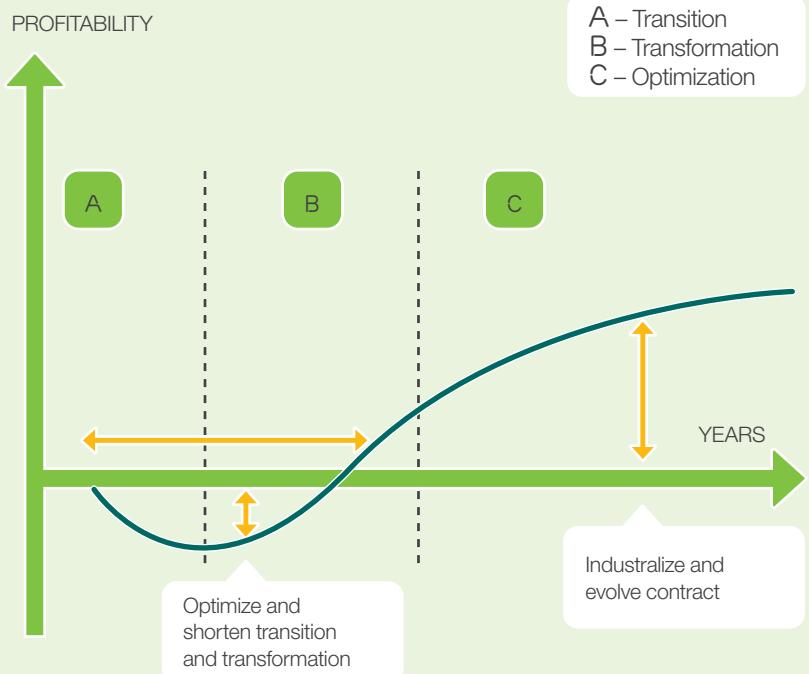


MOBILE BROADBAND INFRASTRUCTURE BUSINESS MODEL

Our most traditional business model is in network infrastructure, delivering and rolling out a physical network including all necessary hardware and software. The first phase involves building coverage across one or more geographical areas and often includes network rollout services. Subsequent phases include increasing network capacity, and adding functionality. Services include network design and optimization, and systems integration.

The initial build and rollout phase can take several years, is capital-intensive, open to competitive bidding, and usually involves lower margins. The later phases, extending the capacity and functionality of the established footprint, often involve a lower share of hardware but more professional services and software, which can be deployed remotely. These phases generally produce higher margins. The differing nature of the phases makes it important that we find a beneficial mix of coverage and capacity projects, in order to secure a good balance between growth and profitability.

Managed services business model



MANAGED SERVICES BUSINESS MODEL

A different model applies to our managed services business. We take over aspects of a customer's business operation, or even the entire operation, for a period of up to seven years. Staff and expertise are often transferred from the customer to Ericsson. The initial transition and transformation phases can involve significant costs up front. But by simplifying, implementing and consolidating resources, tools, methods and processes, we step by step reduce the costs and improve our returns. Most such contracts are subsequently renewed. We have a good balance of contracts in the transition, transformation and optimization phases – with the vast majority of the business in the optimization phase – which has a beneficial effect on revenue and cash flow.

HOW WE WORK

Our competitive advantages and core values, our people and our ways of working, all combine to ensure we are always innovative and efficient, and do business responsibly and sustainably.



TECHNOLOGY AND SERVICES LEADERSHIP

Innovative solutions and unparalleled service offerings

We support our customers in the new ICT landscape by combining the advantages of our leadership in technology and services capabilities.

Our technical expertise is driven by innovation, research and development, delivering high network performance and enabling our customers to be first to market where it matters. We hold one of the largest patent portfolios in the industry, with more than 35,000 granted patents worldwide. We supplied the world's first LTE network and have maintained our leading LTE position since the first rollout of LTE in 2009. We are also a leading support systems provider.

Ericsson is also the largest telecom services provider in the world, supporting operators in creating competitive, attractive and appealing offerings to consumers, while providing managed services to networks that serve more than 1 billion subscribers worldwide. We pioneered managed services for the telecom industry more than 10 years ago and remain the leader today.



GLOBAL SCALE

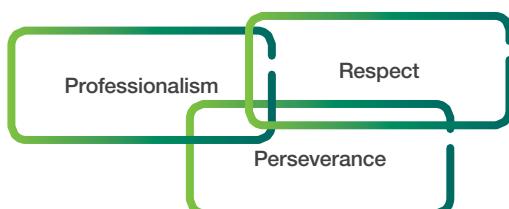
Local presence combined with global scale

With operations and customers in more than 180 countries, we have established relationships with all the world's major telecom operators. We use worldwide standards, combined with global economies of scale in research and development, production and service delivery, to ensure that our products and services are efficient and of high quality wherever they are deployed.

Our technology handles approximately 40% of the world's mobile traffic and around 50% of all global LTE smartphone traffic goes through networks delivered by Ericsson. Our capabilities and business understanding in telecom, datacom and media are prerequisites for large-scale ICT transformation projects. Every year, we deliver approximately 1500 consulting, systems integration and learning services projects in multi-vendor and multi-technology environments.

Ericsson's core values

Our values are the foundation of our culture. They guide us in our daily work, in how we relate to each other and the world around us, and in the way we do business.





OUR PEOPLE

People have made Ericsson what it is today. Our people with their ingenuity and professionalism are at the heart of the success we achieve today and aspire to tomorrow. By working with Ericsson, they are helping build the Networked Society and create a more sustainable world.

Our people work with us because we can help them fulfill their career ambitions and reward their effort and commitment. Working for Ericsson encourages and stimulates creativity and initiative in an environment that embraces innovation and rapid change.

To attract the best people, help them reach their full potential and engage them on the way, our People Strategy has four objectives:

Attract talent

To attract exceptional talent, we take a strategic approach to becoming an employer of choice wherever we operate. We want to be recognized as the company that will fulfill the personal and career ambitions of a potential employee.

Develop talent

Talent needs to be nurtured and encouraged, and we place great emphasis on identifying talented professionals early in their careers. We have a structured approach to identifying and assessing talent, and have created an environment in which employees can achieve their full potential. Our comprehensive career and competence model, supported by online and classroom training from Ericsson Academy and on-the-job development helps employees to build their careers and develop capabilities that contribute to the company's continued success.

Develop leaders

Strong leaders are essential for Ericsson to keep our technology and services leadership amid evolving business conditions. That is why we constantly reexamine the leadership skills and competencies required to maintain our leading position. An annual process identifies, assesses and develops people to assume



Ericsson Academy

Ericsson Academy provides innovative and inspiring learning to all our employees, enabling our business to grow in line with strategic targets and ambitions. Learning everyday includes both formal and informal learning, collaboration and sharing.

strategic roles in the company. Our leadership pipeline is under continual review to ensure that we develop the right leadership capabilities at all levels in the organization.

Embrace diversity

Different people bring different points of view and different solutions to challenges – essential factors in our constant search for better, more effective solutions for our customers. We strive for our management teams and employee base to be as diverse as the world in which we live. A diverse and inclusive workforce drives innovation and leads to high-performing teams and superior business results.

TOOLS, METHODS AND PROCESSES

As a global organization, Ericsson uses a system of standardized tools, processes and methods to ensure simplicity and efficiency, guarantee aligned service offerings and quality levels, and deliver economies of scale.

Our regional organizations, all of which include six engagement practices, allow us to identify best practices, methods and processes from any individual market, and then adapt and reuse them globally.

The Ericsson Group Management System (EGMS) is used in all operations covering all units around the world. Its consistency and global reach helps ensure that the way we work meets the objectives of Ericsson's major stakeholders, building trust. The EGMS framework defines structure, rules and requirements for compliance with applicable laws, listing requirements, governance standards and other requirements.

In addition, we employ a system of audits and assessments to determine compliance and to provide valuable information for understanding, analyzing and continually improving performance.

GOVERNANCE

Good corporate governance forms the basis for building a robust corporate culture throughout a global organization. Ericsson maintains a constant focus on corporate governance issues including the establishment of efficient and reliable controls and procedures, and on promoting sustainable and responsible business practices. It is crucial that such business practices are valued and followed by all people in the organization.

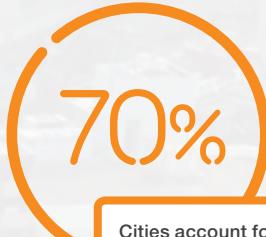
All Ericsson employees are responsible for adhering to Ericsson's Code of Business Ethics, which summarizes the Group's basic policies and directives, and emphasizes the importance of integrity in all business activities.



MAKING BETTER CITIES

Urban growth is continuing at a fast pace – the population in urban areas exceeds 50% of the world's population. By 2050 it is expected that 70% of the world's population will live in cities. Cities are also the hotspots of the global economy and account for more than 70% of CO₂ emissions. In order to maintain cities' role as a source of innovation and economic growth, to improve the quality of life in urban areas and to mitigate the impact of climate change, they must develop sustainably.

Mobility, broadband and cloud technology from Ericsson can help transform the way cities are built and the services available to residents, like transportation systems and smart energy grids. This also has the potential to reduce CO₂ emissions by approximately 15%. Ericsson and UN-Habitat have started a three-year collaboration exploring on how cities can leverage ICT investment to be more sustainable.



70%

Cities account for more than 70% of global CO₂ emissions and two-thirds of the world's energy use today. The steps they take now to combat climate change will have a major impact on the future of our planet.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Sustainability and corporate responsibility are integral aspects of our business, reflected in our strategy and governance.



Ericsson aims to lead the industry in providing significant and measureable contributions to a sustainable Networked Society. Through our commitment and actions, we demonstrate that we are a trusted partner for our stakeholders.

Our Sustainability and Corporate Responsibility program has three key focus areas closely connected to our business and where we can have the greatest impact:

- > Conducting business responsibility
- > Maximizing environmental and energy performance
- > Advocating Technology for Good.

CONDUCTING BUSINESS RESPONSIBLY

Ericsson is committed to upholding the UN Global Compact Principles, and reported in line with the Global Compact Advanced level for the first time in 2013.

We are also committed to the UN Guiding Principles on Business and Human Rights, and work actively to respect human rights throughout our operations.

In Myanmar we received a Corporate Social Responsibility Special Recognition Award from Télécoms Sans Frontières. Ericsson was also recognized by Swedish insurance company Folksam as a "role model company" for our work with human rights.

As part of our zero tolerance for corruption, we have continued to develop our anti-corruption program. This included a new version of an anti-corruption e-learning course which has now been completed by approximately 85,000 employees.

MAXIMIZING ENVIRONMENTAL AND ENERGY PERFORMANCE

We continue to improve energy efficiency across our entire portfolio. Our latest generation of network infrastructure equipment provides better performance than previous generations while consuming less electricity.

Examples include:

- > The RBS 6000 radio base station, part of our core portfolio, which provides energy-efficient coverage and capacity.
- > Increasing deployment of our energy-efficient Psi coverage solution in markets such as Egypt, Bangladesh, Brazil and Turkey. These deployments have shown energy savings of 40% compared with traditional solutions.
- > By reducing indoor cell sizes and bringing the network closer to users, the Radio Dot System can reduce indoor solution power requirements. It also prolongs the battery life of devices such as smartphones and tablets frequently used in enterprise environments.
- > Our own operations are also yielding significant energy savings, in areas such as business travel, the efficiency of Ericsson facilities and the way we ship our products. We are working toward a five-year target of reducing CO₂ emissions per employee by 30% and keeping absolute CO₂ emissions at 2011 levels, despite forecast growth in sales and employees.
- > When we take back our products, we reuse or recycle 98% of the materials. We also continued to expand our ecology management program in 2013.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY CONTINUED

SUSTAINABILITY ADVOCACY

In early 2013, the Broadband Commission on Digital Development established a Task Force on Sustainable Development, chaired by our CEO Hans Vestberg, to explore some of the issues surrounding how broadband can best contribute to development goals. The Ericsson-led Broadband Commission Task Force report "Transformative Solutions for 2015 and Beyond" examines the role broadband and ICT can play as transformative solutions for achieving sustainable development for all.

Hans Vestberg was also a member of the Leadership Council for the Sustainable Development Solutions Network, which submitted a report to the UN Secretary-General, "An Action Agenda for Sustainable Development," in 2013.

Our Energy and Carbon Report analyzed the growing use of ICT. It showed that while the expansion of ICT is stimulating economic growth and development, the resulting increase in carbon emissions is expected to be marginal, with the sector as a whole not seen as contributing more than 2% of global CO₂ emissions.

At Ericsson's NEST thought-leadership event in 2013, we announced a collaboration with UN-Habitat for research and involvement in promoting sustainable cities, getting maximum value out of ICT investments, and carrying out collaborative research and specific initiatives that provide valuable insights for city leaders and policy makers.

TECHNOLOGY FOR GOOD

Our Technology For Good program continues to work with several initiatives helping people and communities address global challenges at the local, regional and international levels.

Connect to Learn is a global initiative providing quality secondary education to children, especially girls, worldwide. From its inception in 2010 up to late 2013, Connect to Learn had been established in 15 countries in cooperation with 10 operators. The initiative benefits nearly 40,000 students in schools across three continents.

Our work with Refugees United progressed over the year with the launch of the service in the Democratic Republic of Congo. By year-end, there were more than 250,000 refugees registered on the platform, so we are a quarter of the way toward our 2015 goal of helping 1 million people separated by conflict or disaster come in contact with loved ones.

Ericsson supported the Whitaker Development and Peace Initiative's (WPDI) Harmonizer program in Mexico. Harmonizer encourages social change and transformation in urban areas affected by violence and conflict, while the WPDI provides training in areas such as conflict resolution, community building and ICT for vulnerable youth living through the aftermath of violence and conflict.

This project is part of the Youth Peacemaker Network (YPN), a program that has been already established by the WPDI in South Sudan and Uganda, where Ericsson is also a partner. The YPN is a global initiative that seeks to nurture a new generation of leaders committed to reconciliation and conflict prevention.

At the request of our partners at the World Food Programme and the Emergency Telecommunications Cluster, Ericsson Response, our employee volunteer program, deployed volunteers to the Philippines in response to the disaster caused by the super typhoon Haiyan/Yolanda. The wireless internet access provided to more than 2,500 humanitarian aid workers allowed them to organize their disaster relief operations.





CONNECT TO LEARN

Through Ericsson's Connect To Learn project, pupils in the local school of Suruacá in the Brazilian Amazon can now access the internet, take part in cloud-based education and interact with children in other schools across Brazil and across the world.

The global education initiative Connect To Learn was founded by Ericsson, the Earth Institute at Columbia University and Millennium Promise. It was launched in the Millennium Villages – integrated, community-led developments designed to improve the living conditions and future outlook of some of the world's poorest people – with operators in sub-Saharan Africa to meet the challenge of access to secondary education. The project has since been deployed in other regions such as the Amazon with Vivo/Telefónica.

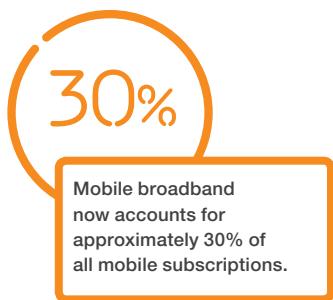
The initiative ensures access to global resources through ICT, as well as teacher training and scholarships. In Brazil, Ericsson volunteers provide virtual classes for students and make school-to-school connections for classes in Rio de Janeiro and Portugal.

40,000

Nearly 40,000 students are benefiting from Connect To Learn in schools across three continents.

OUR SOLUTIONS

We have the competence, the skills and the solutions our customers need to tackle the challenges of today and tomorrow.



MOBILE BROADBAND

- > Providing, upgrading and transforming network infrastructure
- > Supporting operators in adoption of new data-centric business models
- > Helping operators meet demand by introducing the 'App Coverage' approach
- > Building heterogeneous networks using small cells, improving indoor and urban coverage

Mobile data traffic continued to grow rapidly in 2013. The rising number of smartphone subscriptions is a key driver for mobile data traffic growth, together with the fact that users are consuming more data per subscription – mainly driven by video. Total smartphone subscriptions reached 1.9 billion during 2013 and the number of subscriptions for mobile PCs, tablets and mobile routers reached 300 million. The majority of mobile broadband subscribers are connected using 3G/WCDMA networks, but increasing numbers are gaining access to 4G/LTE.

With our offerings, operators can cost-effectively meet consumer and enterprise demand for services anywhere, anytime. Besides increasing coverage, speed and capacity, operators are differentiating their services and adapting them to new business models.

A change in perspective

Operators need new ways to define performance so they can build and manage their networks in the most efficient way. Ericsson's "App Coverage" concept advances the definition of performance beyond traditional population coverage, measuring whether a network delivers the performance required to run a particular application with acceptable quality.



Using this app-centric approach, our services and tools help operators determine where and when coverage and capacity need to be added or improved for an optimal user experience.

To increase network coverage and capacity in densely populated urban areas, we are building heterogeneous networks, improving our macro radio base stations while complementing them with smaller base stations including Wi-Fi. This provides the required App Coverage and sufficient capacity in high-load areas, such as malls, transport hubs, hotels and offices.

We expect LTE to keep expanding from 175 million subscriptions in 2013, reaching around 2.6 billion in 2019 and covering more than 65% of the world's population. We also see 2G/GSM/EDGE networks continuing to be an important part of the ecosystem, and a complement to 3G/WCDMA/HSPA and 4G/LTE coverage.

The building blocks

We build network infrastructure with the following main components:

- > The RBS 6000 multi-standard platform for radio base stations. It supports GSM/EDGE, CDMA, WCDMA/HSPA and LTE in a single unit, ensuring a smooth transition to new technologies. Upgrades and expansions usually involve software and services, often delivered remotely.
- > The Ericsson Blade System for network control functionality in fixed and mobile core networks.
- > The SSR 8000 family of smart services routers for network gateways. The multi-application, high-capacity platform improves network performance and supports service differentiation in fixed and mobile networks.
- > Optimized backhaul solutions. The introduction of heterogeneous networks means many new sites, challenging traditional solutions for backhaul and synchronization.



THE CONNECTED CAR

Ericsson and Volvo Car Group have teamed up to create the 'connected car,' allowing drivers, passengers and the vehicle to connect to cloud-based services.

Through the Ericsson connected vehicle cloud, drivers and passengers will be able to access applications for information, navigation and entertainment on a screen in the car. At the same time, the car itself will supply data on the state of its various systems and communicate with other parties – for instance, to book a service date and give the mechanic early information on parts that need to be ordered.



OUR SOLUTIONS CONTINUED

Our backhaul solutions use technologies such as microwave, optical and satellite.

- › Our network design and optimization services ensure that networks can handle high levels of data traffic while maintaining service quality and user experience.
- › Ericsson's network rollout services.

COMMUNICATION SERVICES

- › New opportunities for communication between people, enterprises and machines
- › Evolution driven by Voice over LTE (VoLTE), High Definition Voice and Video, Enriched Communication Services, all enabled by IP Multimedia Subsystem (IMS)
- › Cloud-based solutions, such as the Device Connection Platform, pushing the borders of communication beyond people

Consumers and business users want to communicate with more people, in more contexts and for more reasons than ever before. Operators are using this growing demand to drive business, providing new functionality and richer offerings across networks, devices and country borders.

Operators are already providing communication services, such as voice, text and multimedia messaging based on industry standards, ensuring global interoperability across all devices and all subscriptions.

Our IMS solutions enable operators to offer communication in new ways, such as high-definition voice, video calling and conferencing, multi-party chat with presence information, and screen sharing. IMS is also providing Voice and video over LTE (VoLTE), enhancing the user

experience and reducing costs. In addition we offer machine-to-machine solutions to operators as a cloud service.

We help operators leverage the value of their networks by exploiting these new opportunities, providing enhanced communication services that are secure, reliable and simple to use.

All our applications are moving to virtualized deployments, complying with the ongoing Network Functions Virtualization industry group's specifications.

FIXED BROADBAND AND CONVERGENCE

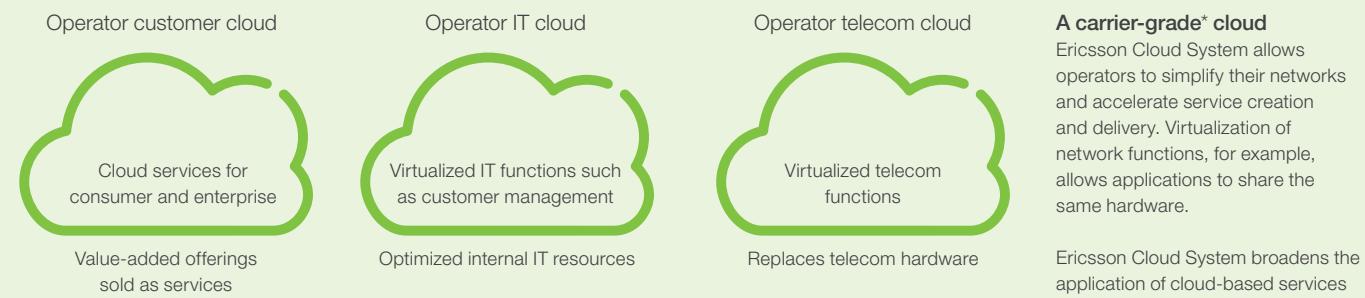
- › Fourth-generation IP network portfolio
- › Real-time cloud capabilities
- › Unlocks full potential of mobility, video and the cloud

Legacy telecom networks were designed to deliver a limited number of services. Our IP-based multi-service networks create opportunities for operators to unlock the full potential of mobility, video and the cloud.

Our fourth-generation IP network portfolio allows operators to use their complete network as a single business resource as opposed to the fragmented and complex reality of most legacy networks. It also allows for increasingly virtualized network features, adding flexibility and paving the way for cooperation with new partners.

As a first step we introduced the ability to deliver telephony, internet and TV over fixed and mobile broadband networks. By combining operators' software-defined networks (SDN) and cloud solutions, we are now adding real-time

Three operator cloud tracks



* The system has at least "five nines" availability, i.e. 99.999%.



1 BN

We provide managed services to networks with more than one billion subscribers.

MANAGED SERVICES

- > Experience-centric engagement approach allows operators to get more out of managed services
- > Managing and evolving network and IT environments for operators to improve efficiency and strengthen competitiveness
- > Established in media, the cloud and IT Managed Services, expanding into utilities and transport sectors

Managed services traditionally involve taking over activities operators once handled in-house, from designing, planning and building a network, to managing operations. The main driving factor has been cost savings, but as competitive pressures have increased, operators have also needed to adapt their positions in the value chain.

We have developed managed services as a way to enhance the customer experience and increase business differentiation. We create new value by combining technical, service and customer experience expertise. Our experience-centric approach enhances the performance that subscribers actually get. Starting with the operator's business objectives, we define the level of customer experience necessary to meet those objectives and work together to make it happen.

Our traditional telecom managed services model focuses on reducing cost and complexity. Other models such as wholesale network sharing allow operators to choose between investing in their own infrastructure and sharing it to varying degrees with partners.

We handle complex issues such as convergence, quality and capacity management, while freeing up operator resources to focus on strategy, marketing and customer care.

We provide managed services to networks that serve more than 1 billion subscribers in more than 100 countries. These networks are typically multi-vendor, multi-technology environments, with more than half the equipment coming from non-Ericsson sources. We operate four Global Network Operations Centers (GNOCs) offering a universal approach to managed services based on years of innovation and global best practice. We rely on our global set of tools, methods and processes, and invest to ensure they remain at the leading edge.

We are expanding our established model for network and IT managed services to adjacent areas such as cloud services, TV and media, and selected industry verticals.

OPERATIONS AND BUSINESS SUPPORT SYSTEMS (OSS AND BSS)

- > Enabling operators to become agile
- > Providing systems to manage increasingly complex networks and services
- > Solutions to improve user experience and to create new business opportunities

OSS and BSS are used to run the networks – not just from a technical perspective, but also to manage how services are delivered and paid for, keep track of revenues and maintain customer relationships.

The shift in focus from voice to data services is both a challenge and an opportunity for operators. The growth of mobile broadband is leading operators to evolve their OSS and BSS in order to monetize the increasing amount of data flowing through their networks while managing the increasing complexity of networks and services. Our solutions cater for user needs and help identify new revenue streams, in addition to running and maintaining operations. Our extensive expertise and global experience makes us unique in our approach to OSS and BSS.

We enable our customers to become more agile – fast, flexible and in control of their business in a dynamic and fast-paced market. Our solutions help them capture, analyze and report user data, providing insights for more cost-efficient business decisions, identifying new revenue streams and enabling increased personalization and user control.

Our portfolio is designed around measurable performance improvement in an operator's business processes, with software that is scalable, configurable and which provides end-to-end capabilities. This, together with our expertise in consulting and systems integration, makes us a world-class software company.

The integration of the former Telcordia products, and those of ConceptWave, has contributed to our comprehensive OSS and BSS portfolio.

This is BSS and OSS

Business Support Systems help with customer care, in areas such as ordering, billing and collecting payments.

Operations Support Systems ensure the technical aspects of network quality, such as performance and capacity.



Customer

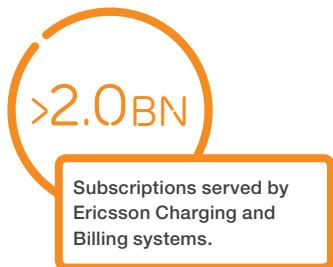
Business Support Systems (BSS)

Operations Support Systems (OSS)



Network

OUR SOLUTIONS CONTINUED



TV AND MEDIA MANAGEMENT

- › A broad suite of standards-based solutions, products and services
- › Enabling content owners, broadcasters, TV service providers and network operators to create and deliver the future of TV on all consumer devices
- › Managing and monetizing the strong growth in video traffic

TV is transforming into an immersive, connected and social experience on every smart device a consumer owns and interacts with. The convergence of media and telecoms, especially through the global uptake of mobile broadband, is accelerating a change in the way consumers get premium entertainment. It also changes industry players' roles in that value chain.

Our position in this transformation – with 20 years of media and video experience, and global leadership in networks and telecoms – is a crucial advantage to our customers as we help them innovate in TV Anywhere services and manage the strong growth in data traffic driven by video.

Our Mediaroom and Multiscreen TV solutions – enabling TV service providers to deliver on the TV Anywhere future – is powering more than 70 TV services for over 14 million subscribers. Our On-Demand Content Management Solution provides the content management and packaging needed to ensure unified access to infinite amounts of relevant content.

Ericsson's Media Delivery Network solution, LTE Broadcast and advanced video compression transform video efficiency, while maximizing the value of content and network assets.

Our broad portfolio is enhanced by global services capability to consult, integrate and manage business operations for TV.

CONNECTED DEVICES

- › Complete solutions for device connectivity
- › Compact 'modems-on-a-chip' for smartphones, tablets and other small devices

Following the 2013 split-up of the ST-Ericsson joint venture between STMicroelectronics and Ericsson, Ericsson will offer LTE multi-mode thin modem solutions, including 2G, 3G and 4G interoperability. Device manufacturers will get a complete solution to ensure end-to-end device support and network functionality.

Our modems are designed for smartphones, tablets and other connected devices, important for our vision of 50 billion connected devices in the Networked Society.

Our modems support all major access technologies.

The Ericsson Device Connection Platform (DCP) is a cloud service enabling operators to offer connectivity management to enterprise customers. It enables operators to address new revenue streams from a variety of devices while simplifying the process and reducing the cost of connecting them.

OPPORTUNITIES IN INDUSTRY VERTICALS

- › Creating new value for non-operator businesses through ICT innovation

The rapid proliferation of connected devices, self-service applications, machine-to-machine communication and automation is changing the way companies do business. The mobile network is fundamental to this development and we serve several select industry verticals, specifically, utilities, the transport sector and public safety.

Our resources in technology, consulting, systems integration and managed services on a global scale give us a unique position. This lets us support customers with everything from connectivity to customer relationship management – not just with technology but also from a business transformation perspective.

Mobile Money

AIRTIME

WHOLE SALE
& RETAIL

MOBILE MONEY

It is estimated that 2 billion people across the world do not have access to any financial system other than cash, and therefore lack a safe way to make transactions and save money. ICT and mobile money applications are rapidly changing this situation. In Uganda, since the introduction of mobile money in 2008, use of the service has grown rapidly. Today 9 million Ugandans are using mobile money as a means of saving funds and paying for goods and services in a secure way. The ability to send, spend and receive money with a mobile phone is quickly becoming an essential part of life for billions of people.

>1 BN

More than 1 billion people in emerging and developing markets have mobile phones but no bank accounts.



OUR PERFORMANCE

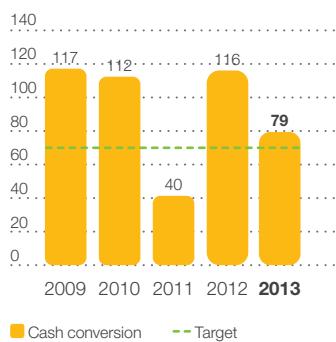
Our overall goal is to create shareholder value. We use a range of financial and non-financial targets to drive business performance.

What we aim for	GROWING SALES FASTER THAN THE MARKET	BEST-IN-CLASS OPERATING MARGIN																														
Why we measure it	Outperforming our market confirms the validity of our strategic direction.	A clear focus on operating margins demonstrates our commitment to profitable growth.																														
Our performance	Revenue growth Percent	Profitability SEK billion Percent																														
	<table border="1"> <thead> <tr> <th>Year</th> <th>Revenue growth (%)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>-1</td> </tr> <tr> <td>2010</td> <td>-2</td> </tr> <tr> <td>2011</td> <td>12</td> </tr> <tr> <td>2012</td> <td>0</td> </tr> <tr> <td>2013</td> <td>0</td> </tr> </tbody> </table>	Year	Revenue growth (%)	2009	-1	2010	-2	2011	12	2012	0	2013	0	<table border="1"> <thead> <tr> <th>Year</th> <th>Operating income incl. JV (SEK billion)</th> <th>Operating margin incl. JV (%)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>5.9</td> <td>2.9</td> </tr> <tr> <td>2010</td> <td>16.5</td> <td>8.1</td> </tr> <tr> <td>2011</td> <td>17.9</td> <td>7.9</td> </tr> <tr> <td>2012</td> <td>10.5</td> <td>4.6</td> </tr> <tr> <td>2013</td> <td>17.8</td> <td>7.8</td> </tr> </tbody> </table>	Year	Operating income incl. JV (SEK billion)	Operating margin incl. JV (%)	2009	5.9	2.9	2010	16.5	8.1	2011	17.9	7.9	2012	10.5	4.6	2013	17.8	7.8
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STRONG CASH CONVERSION

A strong cash position supports new business activity, enables appropriate acquisition opportunities and provides resilience to external economic volatility.

Capital efficiency
Percent



EMPLOYEE ENGAGEMENT

Engaged employees are motivated to contribute to the success of Ericsson and are willing to go the extra mile to meet the organization's goals.

Employee engagement index

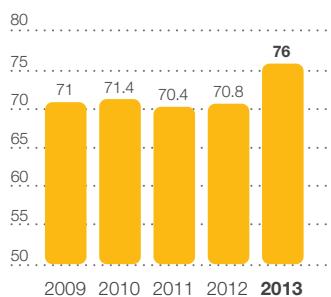
77%
(2012: 77%)

Our score is 8 percentage points higher than the external benchmark average, as measured across over 250 companies. We started to measure the engagement index in 2011.

CUSTOMER SATISFACTION

Customer satisfaction is a prerequisite for customer loyalty. We strive to ensure that our customers perceive us as a thought leader and their preferred business partner.

Customer satisfaction index



REGIONAL DEVELOPMENT

Ericsson is a truly global player, with customers in more than 180 countries. We have been present in many countries, such as China, Brazil and India, for more than 100 years.

NORTH AMERICA

Networks sales declined. The first half of the year was strong as a result of the two large mobile broadband coverage projects that peaked, while the second half was weaker. While executing on the large rollout projects in the US, Ericsson has also strengthened its professional services position and capabilities. Global Services sales increased by 20%.



KEY

ERICSSON GLOBAL SERVICE CENTER

ERICSSON SEGMENTS;
NETWORKS
GLOBAL SERVICES
SUPPORT SOLUTIONS

+XX% PERCENTAGE REVENUE INCREASE

MEDITERRANEAN

Sales grew, driven by 3G deployments in Northwest Africa and modernization projects.



LATIN AMERICA

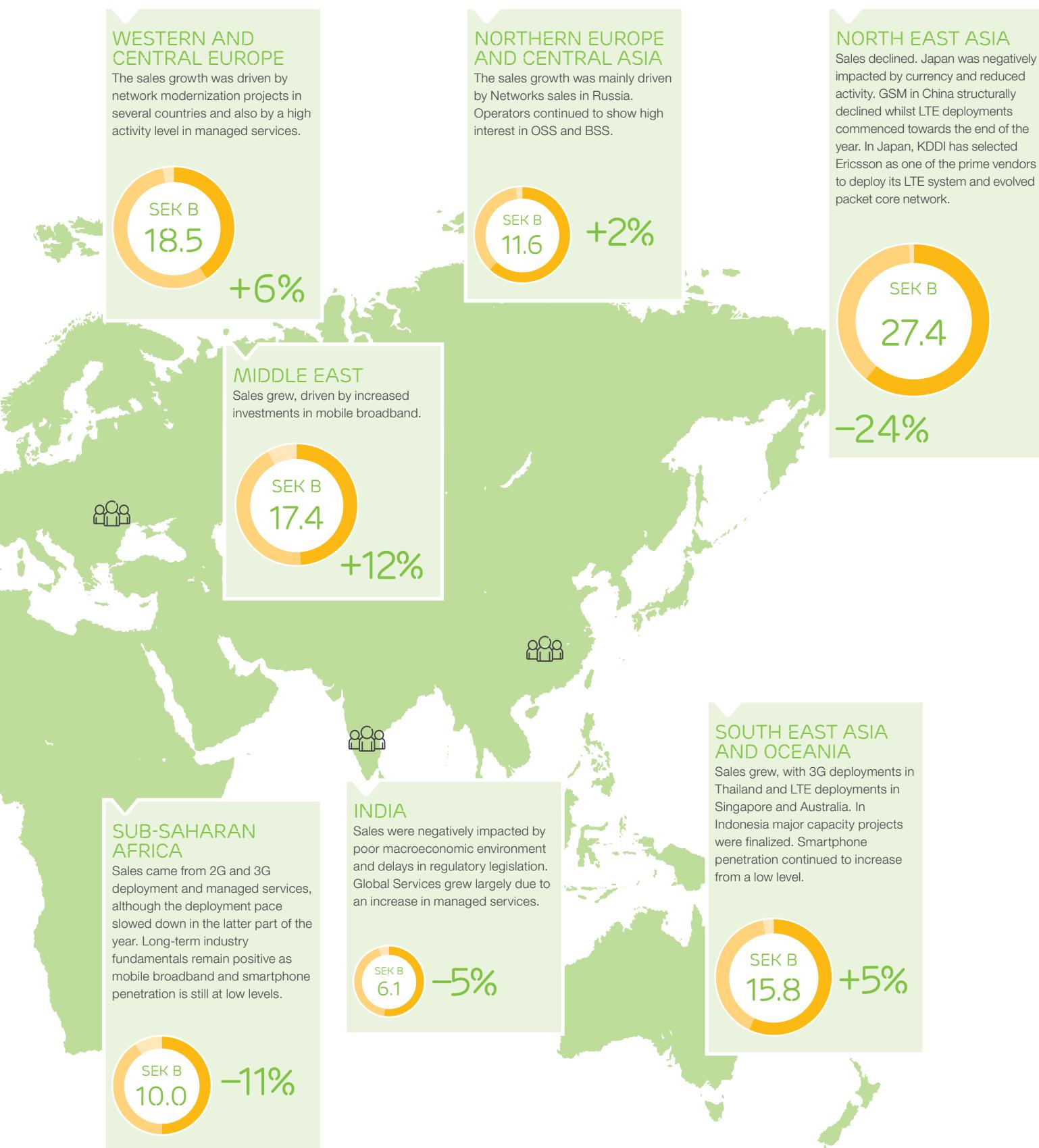
LTE deployments ramped up after a slow start and together with 3G network quality investments drove sales growth for the full year 2013. However, macroeconomic development in mainly Brazil and Mexico continued to slow down during the year.



OTHER

Includes revenues generated across all regions through licensing, sales of cables, broadcast services, power modules and other businesses. Sales increased, positively impacted by the Samsung agreement but negatively impacted by the divestment of IPX in 2012 and the exit of the power cable businesses in 2013.





TEN-YEAR SUMMARY

For definitions of the financial terms used, see Glossary, Financial terminology and Exchange rates.

Ten-year summary

SEK million	2013	Change
Income statement items		
Net sales	227,376	0%
Operating income	17,845	71%
Financial net	-747	-
Net income	12,174	105%
Year-end position		
Total assets	269,190	-2%
Working capital	106,940	6%
Capital employed	180,903	2%
Gross cash	77,089	0%
Net cash	37,809	-2%
Property, plant and equipment	11,433	-1%
Stockholders' equity	140,204	2%
Non-controlling interest	1,419	-11%
Interest-bearing liabilities and post-employment benefits	39,280	3%
Per share indicators		
Earnings per share, basic, SEK	3.72	107%
Earnings per share, diluted, SEK	3.69	107%
Cash flow from operating activities per share, SEK	5.39	-21%
Cash dividends per share, SEK	3.00 ¹⁾	9%
Stockholders' equity per share, SEK	43.39	2%
Number of shares outstanding (in millions)		
end of period, basic	3,231	-
average, basic	3,226	-
average, diluted	3,257	-
Other information		
Additions to property, plant and equipment	4,503	-17%
Depreciation and write-downs/impairments of property, plant and equipment	4,209	5%
Acquisitions/capitalization of intangible assets	4,759	-
Amortization and write-downs/impairments of intangible assets	5,928	1%
Research and development expenses	32,236	-2%
as percentage of net sales	14.2%	-
Ratios		
Operating margin excluding joint ventures and associated companies	7.9%	-
Operating margin	7.8%	-
EBITA margin	9.8%	-
Cash conversion	79%	-
Return on equity	8.7%	-
Return on capital employed	10.7%	-
Equity ratio	52.6%	-
Capital turnover	1.3	-
Inventory turnover days	62	-
Trade receivables turnover	3.4	-
Payment readiness, SEK million	82,631	-3%
as percentage of net sales	36.3%	-
Statistical data, year-end		
Number of employees	114,340	4%
of which in in Sweden	17,858	1%
Export sales from Sweden, SEK million	108,944	2%

¹⁾ For 2013, as proposed by the Board of Directors.

2012	2011	2010	2009	2008	2007	2006	2005	2004
227,779	226,921	203,348	206,477	208,930	187,780	179,821	153,222	131,972
10,458	17,900	16,455	5,918	16,252	30,646	35,828	33,084	26,706
-276	221	-672	325	974	83	165	251	-540
5,938	12,569	11,235	4,127	11,667	22,135	26,436	24,460	17,836
274,996	280,349	281,815	269,809	285,684	245,117	214,940	209,336	186,186
100,619	109,552	105,488	99,079	99,951	86,327	82,926	86,184	69,268
176,653	186,307	182,640	181,680	182,439	168,456	142,447	133,332	115,144
76,708	80,542	87,150	76,724	75,005	57,716	62,280	81,505	76,554
38,538	39,505	51,295	36,071	34,651	24,312	40,728	50,645	42,911
11,493	10,788	9,434	9,606	9,995	9,304	7,881	6,966	5,845
136,883	143,105	145,106	139,870	140,823	134,112	120,113	101,622	80,445
1,600	2,165	1,679	1,157	1,261	940	782	850	1,057
38,170	41,037	35,855	40,653	40,354	33,404	21,552	30,860	33,643
1.80	3.80	3.49	1.15	3.54	6.87	8.27	7.67	5.54
1.78	3.77	3.46	1.14	3.52	6.84	8.23	7.64	5.54
6.85	3.11	8.31	7.67	7.54	6.04	5.83	5.26	7.10
2.75	2.50	2.25	2.00	1.85	2.50	2.50	2.25	1.25
42.51	44.57	45.34	43.79	44.21	42.17	37.82	32.03	25.4
3,220	3,211	3,200	3,194	3,185	3,180	3,176	3,173	3,167
3,216	3,206	3,197	3,190	3,183	3,178	3,174	3,169	3,166
3,247	3,233	3,226	3,212	3,202	3,193	3,189	3,181	3,179
5,429	4,994	3,686	4,006	4,133	4,319	3,827	3,365	2,452
4,012	3,546	3,296	3,502	3,105	2,914	3,038	2,438	2,434
13,247	2,748	7,246	11,413	1,287	29,838	18,319	2,250	1,950
5,877	5,490	6,657	8,621	5,568	5,459	4,479	3,364	4,452
32,833	32,638	31,558	33,055	33,584	28,842	27,533	24,059	23,421
14.4%	14.4%	15.5%	16.0%	16.1%	15.4%	15.3%	15.7%	17.7%
9.7%	9.6%	8.7%	6.5%	8.0%	12.5%	16.7%	20.1%	18.6%
4.6%	7.9%	8.1%	2.9%	7.8%	16.3%	19.9%	21.6%	20.2%
6.6%	9.9%	11.0%	6.7%	9.4%	18.0%	21.0%	21.8%	20.5%
116%	40%	112%	117%	92%	66%	57%	47%	80%
4.1%	8.5%	7.8%	2.6%	8.2%	17.2%	23.7%	26.7%	24.2%
6.7%	11.3%	9.6%	4.3%	11.3%	20.9%	27.4%	28.7%	26.4%
50.4%	51.8%	52.1%	52.3%	49.7%	55.1%	56.2%	49.0%	43.8%
1.3	1.2	1.1	1.1	1.2	1.2	1.3	1.2	1.2
73	78	74	68	68	70	71	74	64
3.6	3.6	3.2	2.9	3.1	3.4	3.9	4.1	4.1
84,951	86,570	96,951	88,960	84,917	64,678	67,454	78,647	81,447
37.3%	38.1%	47.7%	43.1%	40.6%	34.4%	37.5%	51.3%	61.7%
110,255	104,525	90,261	82,493	78,740	74,011	63,781	56,055	50,534
17,712	17,500	17,848	18,217	20,155	19,781	19,094	21,178	21,296
106,997	116,507	100,070	94,829	109,254	102,486	98,694	93,879	86,510

TECHNOLOGY LEADERSHIP JOINS THE DOTS

The release of the Ericsson Radio Dot System in 2013 is strengthening mobile access where people need it most: indoors.

This high-performance, small-cell solution improves mobile broadband performance inside company premises and public venues. The visible element, the Dot itself, is a tiny unit the size of a smoke detector, and fits in to any environment.

The Radio Dot is just one of numerous innovations that have kept Ericsson at the forefront of technological advancement. We have always invested in R&D to keep our portfolio and our customers in front in a rapidly changing market.

Another market-leading innovation is the SSR 8000 family of Smart Services Routers. A key building block for 4G IP, the SSR family allows operators to deploy powerful IP infrastructure that is smart, simple to manage and operate, and scalable as demand increases.

Whether connecting shipping containers and cars to the cloud, or providing energy efficient radio networks, Ericsson is committed to maintaining its position as a technology leader.

57

SSR (Smart Services Router)
contracts won in 2013.



LETTER FROM THE CHAIRMAN



DEAR SHAREHOLDERS

Looking back on my third year as chairman of Ericsson, I have to say it is exciting to be part of this industry. The rapid pace of change I mentioned last year shows no signs of slowing, and the transformative power of technology is becoming increasingly felt all around the world. It is a true privilege to be the chairman of a company that is leading and driving that development.

Much of our time on the Ericsson Board is spent examining longer-term strategic issues and the Board needs to form a long-term view. But particularly in an environment and a market like Ericsson's, we also have to consider short-term changes and opportunities that arise, and respond appropriately.

2013 was a very eventful year in which Ericsson and the Board addressed a number of important matters including acquisitions, divestments and refinancing. Two events that came up for much discussion during 2013 were the dissolution of the ST-Ericsson joint venture, with thin modems being integrated into Ericsson's operations, and the important patent agreement with Samsung.

Attracting and retaining talent

The Board also pays much attention to talent management. We have a committed and experienced leadership team, led by our CEO and President, Hans Vestberg. We also see it as important to have a good leadership talent pool, so that future leaders can be developed and prepared, to secure the Company's leading position.

Another main area for the Board is corporate governance, sustainability and responsible business practice. Ericsson is a large company with a unique global reach and it is essential that our high standards are met in all our dealings across diverse markets. Ericsson has set the bar high: every part of the Company is required to meet demanding financial, social, and environmental standards. Good governance ensures that risks are addressed and managed. Ericsson works continuously to uphold these standards as evidenced by the high trust that our stakeholders put in us.

Proposal to raise the dividend

We are also entrusted with the capital structure of the Company which is always an important topic of discussion. Part of this, particularly during the fourth quarter of each year, involves a proposal for dividend to the annual general meeting. This discussion is based on our dividend policy, which takes into account the previous year's earnings and balance sheet structure, as well as coming years' business plans and expected economic development. Ericsson's strategy is one of industry leadership which requires large investments into R&D as well as a continued focus on building on the core business and expanding into new areas.

With all this taken into account the Board's proposal is to increase the dividend from SEK 2.75 in 2012 to SEK 3 per share for 2013.

Ericsson is a dynamic, progressive company operating in an exciting, growing market, with good long-term prospects. I am proud of the people of Ericsson and it is an honor to be the Chairman of the Board.

Leif Johansson
Chairman of the Board of Directors

BOARD OF DIRECTORS' REPORT

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BUSINESS IN 2013

Ericsson's sales ended at SEK 227.4 billion. Sales for comparable units, adjusted for FX, grew 5% for the full year. The focus on profitability started to pay off and operating margin for the Group gradually improved in 2013, despite significant currency headwind, driven primarily by improvements in Networks and Network Rollout.

The business mix, with a higher share of coverage projects than capacity projects, started to shift towards more capacity during the year.

As anticipated, sales came under some pressure towards the end of the year. As previously communicated, the major reasons behind this development are the two large mobile broadband coverage projects, which peaked in North America in the first half of 2013, and the impact from reduced activity in Japan.

While executing on the large rollout projects in the US, Ericsson has also strengthened its professional services position and capabilities. In the second half of the year, Global Services accounted for more than half of the region's sales and today the Company is the market leader in both telecom services and mobile infrastructure in one of the world's most advanced and dynamic ICT markets.

The LTE tenders in China continued and so far the two major operators that have made their vendor selections have included Ericsson as a vendor. In the latter part of the year, sales in China improved as a result of deliveries to ongoing mobile broadband coverage projects.

Also in the latter part of 2013, Ericsson continued to grow in some of its European key markets. During the last years, the position in Europe has been strengthened through the network modernization projects. These have been delivered according to plan and the major part of the negative margin impact from these projects is now over. Over time, it is expected that the telecom industry in Europe will improve.

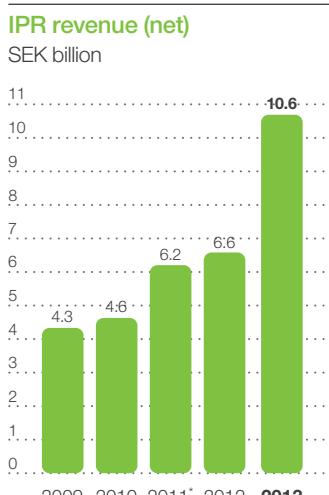
During 2013, Ericsson executed on a number of strategic initiatives to both manage the ongoing technology transition in the industry and to transform the company for future business opportunities. Ericsson has solidified its core business as well as taken important steps to build a leadership position in new and targeted key areas. This includes consolidation of the modems business and the acquisition of the IPTV business Mediaroom from Microsoft. The Company will gradually increase resource and capital allocation in these areas as well as in IP, Cloud, OSS and BSS.

The Company has also successfully completed an IPR cross-licensing agreement with Samsung. This agreement ends complaints made by both companies against each other before the International Trade Commission (ITC) as well as the lawsuits before the U.S. District Court for the Eastern District of Texas.

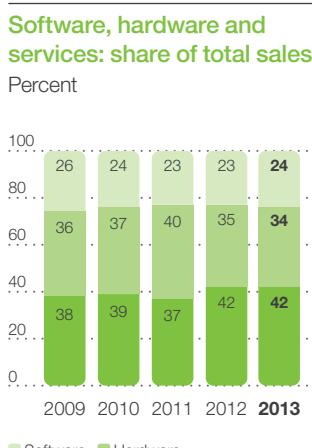
The long-term fundamentals in the industry remain attractive and with ongoing strategic initiatives Ericsson is well positioned to continue to support its customers in a transforming ICT market.

The Company has worked diligently to improve working capital and ended the year with a strong operating cash flow of SEK 17.4 (22.0) billion and a full-year cash conversion of 79%, above the target of 70%, giving Ericsson a solid balance sheet to continue to execute on its strategy.





* One-off patent sales included



FINANCIAL HIGHLIGHTS

Impact of Samsung IPR agreement

On January 27, 2014, Ericsson and Samsung signed an agreement on global patent licenses between the two companies.

The industry is built on scale and a strong tradition of sharing technologies through licensing on fair, reasonable and non-discriminatory (FRAND) terms. The agreement shows the value of Ericsson's R&D investments and enables both companies to continue to innovate and bring new technologies to the market. The cross-license agreement covers patents relating to GSM, UMTS, and LTE standards for both networks and handsets.

The agreement includes an initial payment and ongoing royalty payments from Samsung to Ericsson for the term of the new multi-year license agreement.

The transaction contributed to net sales of SEK 4.2 billion, operating income of SEK 4.2 billion and net income of SEK 3.3 billion in 2013. Ericsson expects that the initial payment will impact operating cash flow in the beginning of 2014. This specific agreement impacts segments Networks and Support Solutions.

Income statement

Reported sales for 2013 were flat and amounted to SEK 227.4 (227.8) billion. During the year sales were negatively impacted by strong currency headwind and lower sales in North East Asia, driven by lower GSM investments in China combined with lower project activity in Japan and South Korea. In North America CDMA sales declined by -50% to SEK 4.2 (8.4) billion. For comparable units, adjusted for FX, full-year sales increased by 5%.

Revenues for IPR and licensing were SEK 10.6 (6.6) billion, of which the Samsung agreement contributed with SEK 4.2 billion.

With a large share of coverage projects in the beginning of the year and with slightly improved business mix from the second quarter, the commodity mix remained stable compared to last year. Software represented 24% (23%), hardware 34% (35%) and services 42% (42%) of total sales.

Restructuring charges amounted to SEK 4.5 (3.4) billion, mainly related to continued execution of the service delivery strategy and headcount reductions in Sweden. The proactive work to drive efficiency and cost reductions continues.

Gross margin increased to 33.6% (31.6%), due to the agreement with Samsung, reduced negative effect from network modernization projects in Europe and improved business mix. The Global Services share of Group sales was flat at 43%.

Total operating expenses were basically flat and amounted to SEK 58.5 (58.9) billion. Expenses related to the modems business added SEK -0.5 billion to operating expenses. A one-time charge related to the acquisition of

Airvana Network Solutions Inc. impacted the operating expenses negatively by SEK -0.4 billion. Excluding restructuring charges, operating expenses were down -2% compared to 2012. Selling, general and administrative expenses (SG&A) amounted to SEK 26.3 (26.0) billion and represented 11.6% of sales compared to 11.4% in 2012. For comments on research and development expenses (R&D) see the section "Research and development, patents and licensing."

Other operating income and expenses decreased to SEK 0.1 (9.0) billion. During the year, one-time charges related to the divestment of Applied Communication Sciences (ACS), the former research and engineering arm of Telcordia Technologies, and the exiting of the telecom and power cable operations of SEK -0.9 billion impacted other operating income negatively. For new hedges taken in 2013, hedge accounting is not applied. The total re-evaluation effect for 2013 hedges on other operating income was SEK 0.5 billion. In 2012, other operating income included a gain related to the divestment of Sony Ericsson of SEK 7.7 billion and to Multimedia brokering (IPX) of SEK 0.2 billion.

Ericsson's share in earnings of JV and associated companies was SEK -0.1 (-11.7) billion. In 2012 a non-cash charge of SEK -8.0 billion related to ST-Ericsson was made.

Operating income, including JV, increased to SEK 17.8 (10.5) billion, positively impacted by improved gross margin, and no negative effect from ST-Ericsson. Operating income was negatively impacted by one-time charges of SEK -1.3 billion related to the divestment of ACS, the exiting of the telecom and power cable operations and the acquisition of Airvana. Operating margin, including JV, was 7.8% (4.6%). Operating income including JV and excluding the Samsung agreement was SEK 13.6 billion with an operating margin of 6.1%. 2012 included a gain of SEK 7.7 billion related to the divestment of Sony Ericsson.

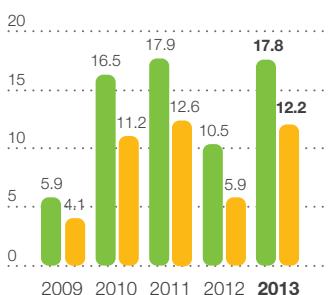
Financial net amounted to SEK -0.7 (-0.3) billion. The difference is partly attributable to lower interest income as an effect of lower interest rates during 2013 compared to 2012. The tax rate for 2013 was 29% compared to 42% in 2012, positively impacted by product and market mix. Tax costs were SEK -4.9 (-4.2) billion.

Net income increased to SEK 12.2 (5.9) billion, positively impacted by the Samsung agreement by SEK 3.3 billion.

EPS diluted was SEK 3.69 (1.78). EPS non-IFRS was SEK 5.62 (3.55).

Operating income and net income

SEK billion

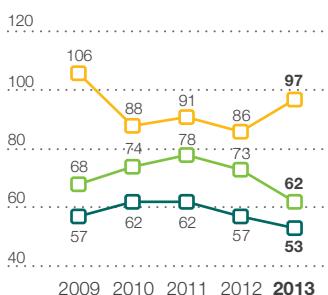


Operating income

Net income

Working capital

Days



Days sales outstanding (Target is less than 90 days)

Inventory days (Target is less than 65 days)

Payable days (Target is more than 60 days)

Balance sheet and other performance indicators

Compared to December 31, 2012, trade receivables increased from SEK 63.7 billion to 71.0 billion, mainly due to the Samsung agreement. Days sales outstanding (DSO) increased from 86 to 97 days.

Inventory decreased from SEK 28.8 billion to 22.8 billion, positively impacted by improved business mix and efficiency measures.

Inventory turnover days (ITO) improved from 73 to 62 days. Accounts payable days decreased from 57 to 53 days.

During the year, Ericsson concluded the following refinancing activities to extend the average debt maturity profile:

- A EUR 313 million bond was repaid
- Ericsson refinanced a USD 2 billion Revolving Credit Facility (RCF). The new facility is a five-year facility with two one-year extension options
- A USD 684 million European Investment Bank (EIB) loan was disbursed. The loan agreement was signed in 2012 and the loan supports R&D activities. The loan will mature in 2020.

A SEK 4 billion EIB loan, with original maturity in 2015, will be repaid early 2014.

Provisions amounted to SEK 5.4 (8.6) billion by the end of the year. The reduction was mainly due to utilization of the 2012 ST-Ericsson provision.

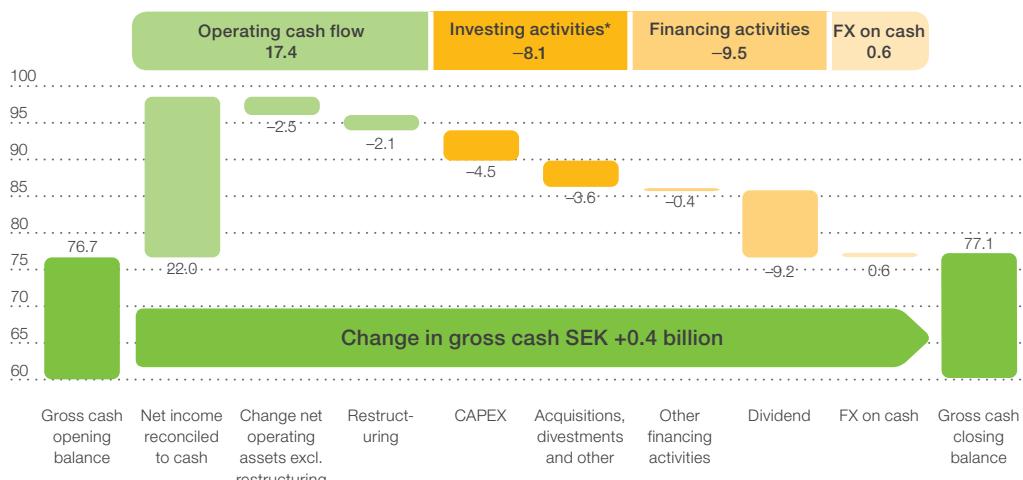
Cash flow from operating activities was positive at SEK 17.4 (22.0) billion, negatively impacted by higher working capital. There was no impact on cash flow from the Samsung agreement.

Cash, cash equivalents and short-term investments amounted to SEK 77.1 (76.7) billion. The net cash position decreased from SEK 38.5 to 37.8 billion. Cash conversion for 2013 ended at 79%.

In 2013, the net number of employees increased by 4,085, of which 3,293 were in services and 741 in R&D. By the end of 2013 the total number of employees was 114,340 (110,255) of which 5,377 people joined Ericsson through acquisitions and through managed services contracts. At the same time approximately 13,000 employees left Ericsson, reflecting the natural attrition rate and ongoing company transformation.

Change in gross cash

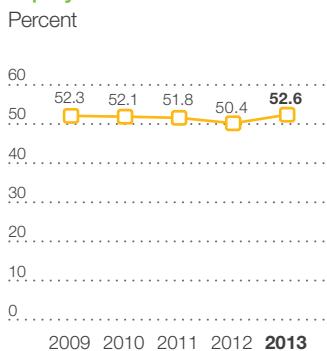
SEK billion



* As disclosed under Financial Terminology, Gross Cash is defined as cash, cash equivalents and short-term investments. Cash as presented in the balance sheet and related notes includes cash, cash equivalents and short-term investments of a maturity less than three months. Due to different treatment of cash in the above table and related foreign currency impact, the amounts differ from those in other presentations of cash flows.

Dividend per share

¹⁾ For 2013 as proposed by the Board of Directors.

Equity ratio**Net cash****Research and development, patents and licensing**

To secure continued technology leadership, focus is on innovation and R&D. R&D expenses (see table below) amounted to SEK 32.2 (32.8) billion. During 2014, R&D expenses, excluding expenses related to Modems, Mediарoom and restructuring, are expected to increase somewhat, mainly due to investments in IP.

Research and development, patents and licensing

	2013	2012	2011
Expenses (SEK billion)	32.2	32.8	32.6
As percent of Net sales	14.2%	14.4%	14.4%
Employees within R&D as of December 31 ¹⁾	25,300	24,100	22,400
Patents ¹⁾	35,000	33,000	30,000
IPR revenue, net (SEK billion)	10.6	6.6	6.2

¹⁾ The number of employees and patents are approximate.

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 2013, capital expenditures amounted to SEK 4.5 billion, 2% of sales. Annual capital expenditures are normally around 2% of sales. This corresponds to the needs for keeping and maintaining the current capacity level, including the introduction of new technology and methods. Expenditures are largely related to test sites and equipment for R&D and network operations centers as well as manufacturing and repair operations. The Board of Directors reviews the Company's investment plans and proposals.

Ericsson is planning to invest in three new global ICT Centers over the coming five years. The centers will support R&D and Services in developing and verifying solutions, bringing innovation to the market faster. Apart from this investment 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. As of December 31, 2013, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

The Company believes it has sufficient cash and cash generation capacity to fund expected capital expenditures without external borrowings in 2014.

Capital expenditures 2009–2013

SEK billion	2013	2012	2011	2010	2009
Capital expenditures	4.5	5.4	5.0	3.7	4.0
of which in Sweden	1.9	1.3	1.7	1.4	1.3
Share of annual sales	2.0%	2.4%	2.2%	1.8%	1.9%

Debt maturity, Parent Company

SEK billion



■ Notes & bonds ■ European Investment Bank ■ Nordic Investment Bank
■ Loan from the Swedish Export Credit Corporation guaranteed by the Swedish Export Credit Guarantee Board
■■ Loan from the Swedish Export Credit Corporation

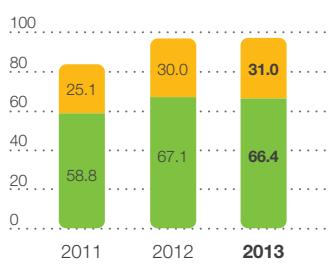
* The loan from the European Investment Bank (EIB) with original maturity 2015 was repaid in January 2014. This was done in conjunction with the draw of a new EIB loan in November 2013 (maturity 2020).

Networks sales

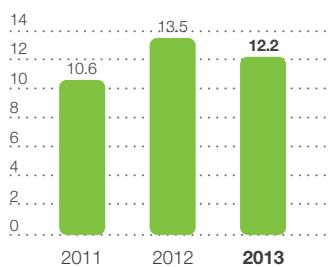
SEK billion

**Global Services sales**

SEK billion

**Support Solutions sales**

SEK billion

**BUSINESS RESULTS – SEGMENTS****Networks**

Sales for comparable units, adjusted for FX, increased 5%, primarily due to the Samsung agreement and increased sales in Latin America, Europe and the Middle East. This was partly offset by lower sales in North America, where CDMA related sales declined by -50%. North East Asia sales declined as an effect of lower project activities in Japan and South Korea and lower GSM investments in China. At the end of the year there was solid demand for our IMS and data layered architecture UDC (User Data Consolidation). However, this was not enough to offset the continued structural decline in circuit-switched core.

Operating margin gradually improved during the year and ended at 10% (6%). This was a result of the Samsung agreement, reduced negative effect from network modernization projects in Europe, improved business mix and strong focus on improving profitability. Restructuring charges amounted to SEK -2.2 (-1.3) billion. This was primarily related to reductions of operations in Sweden and dismantling of the CDMA operations. Operating margin excluding the Samsung agreement was 7%.

Global Services

Reported sales for Global Services were flat in comparison to a strong 2012. Growth for comparable units, adjusted for FX, was 5%. Network Rollout reported sales grew 4% driven by high coverage project activities, primarily in North America. Professional Services sales grew, adjusted for FX, supported by strong development in region North America and India.

Global Services operating margin was 6% (6%). Network Rollout margin gradually improved during the year due to the declining dilutive effect from European network modernization projects as well as the ongoing efficiency programs. Professional Services operating margin was 14% (14%).

Restructuring charges amounted to SEK -2.0 (-1.9) billion.

Support Solutions

Sales growth for comparable units, adjusted for FX, was 0%. The development was primarily driven by portfolio changes and decline in sales of TV compression technology while OSS and BSS showed stable development. The Samsung agreement had an overall positive impact on sales.

Operating margin increased to 12% (9%) due to the Samsung agreement. Lower sales and a charge related to the divestment of ACS had a negative impact on the margin.

From ST-Ericsson to segment Modems

ST-Ericsson was created in 2008 as a joint venture between Ericsson and STMicroelectronics. Early in 2013, the parents agreed to split up and close the joint venture.

Ericsson decided to take over the design, development and sales of the thin LTE multi-mode modem solutions as these are seen as an important part of the Ericsson vision of 50 billion connected devices in the Networked Society. The ambition is to be among the top three suppliers in the thin-modem market.

In 2013, all ST-Ericsson businesses have been transferred to parents or divested. In 2012, Ericsson made a provision of SEK 3.3 billion, related to the ongoing implementation of strategic options at hand.

Ericsson now has a highly focused thin-modem operation with industry-leading technology and intellectual property. A new segment was established as of October 1, 2013, and the modems business is now consolidated into Ericsson. For 2013, segment Modems generated an operating loss of SEK -0.5 billion, primarily related to R&D expenses.

BUSINESS RESULTS-REGIONS

- **North America:** Networks sales declined in 2013, with a strong first half while the second half was weaker as a result of the two large mobile broadband coverage projects that peaked in the first half of the year. While executing on the large rollout projects in the US, Ericsson has also strengthened its professional services position and capabilities. Global Services accounted for more than 50% of the region's sales in the second half of the year.
- **Latin America:** LTE deployments ramped up after a slow start, and together with 3G network quality investments, drove sales growth for 2013. However, macroeconomic development mostly in Brazil and Mexico continued to slow down during the year.
- **Northern Europe and Central Asia:** Sales growth was mainly driven by Networks sales in Russia. Operators continued to show high interest in OSS and BSS.
- **Western and Central Europe:** Sales growth was driven by network modernization projects in several countries and also by a high activity level in managed services.
- **Mediterranean:** Sales in 2013 grew, driven by 3G deployments in Northwest Africa and modernization projects.
- **Middle East:** Sales grew in 2013, driven by increased investments in mobile broadband.
- **Sub-Saharan Africa:** Sales came from 2G and 3G deployment and managed services, although the deployment pace slowed down in the latter part of the year. Long-term industry fundamentals remain positive as mobile broadband and smartphone penetration is still at low levels.
- **India:** Sales were negatively impacted by poor macroeconomic environment and delays in regulatory legislation. Global Services grew largely due to an increase in Managed Services.
- **North East Asia:** Sales declined in 2013. Japan was negatively impacted by currency and reduced activity. GSM in China structurally declined whilst LTE deployments commenced towards the end of the year. In Japan, KDDI has selected Ericsson as one of the prime vendors to deploy its LTE system and evolved packet core network.
- **South East Asia and Oceania:** Sales grew in 2013 with 3G deployments in Thailand and LTE deployments in Singapore and Australia. In Indonesia major capacity projects were finalized. Smartphone penetration continues to increase from a low level.
- **Other:** Sales increased, positively impacted by the Samsung agreement but negatively impacted by the divestment of IPX in 2012 and the exit of the telecom and power cable business. Sales of broadcast services, cables, power modules and other businesses are also included in "Other."

CORPORATE GOVERNANCE

In accordance with the Annual Accounts Act ((SFS 1995:1554), Chapter 6, Sections 6 and 8) and the Swedish Corporate Governance Code (the "Code"), a separate Corporate Governance Report, including an Internal Control section, has been prepared and attached to this Annual Report.

BUSINESS RESULTS – REGIONS

Sales per region and segment 2013 and percent change from 2012

SEK billion	Networks		Global Services		Support Solutions		Total 2013	Percent change
	2013	Percent change	2013	Percent change	2013	Percent change		
North America	28.5	-7%	28.2	20%	2.6	-5%	59.3	5%
Latin America	11.3	16%	9.5	-10%	1.1	-30%	22.0	0%
Northern Europe and Central Asia	7.2	14%	4.2	-8%	0.3	-46%	11.6	2%
Western and Central Europe	7.6	24%	10.3	-3%	0.6	-14%	18.5	6%
Mediterranean	10.8	14%	12.6	-3%	0.7	-6%	24.2	4%
Middle East	8.5	26%	7.6	4%	1.3	-9%	17.4	12%
Sub-Saharan Africa	5.0	-22%	4.1	6%	0.9	-9%	10.0	-11%
India	3.1	-13%	2.7	11%	0.3	-32%	6.1	-5%
North East Asia	16.7	-26%	10.4	-22%	0.4	-30%	27.4	-24%
South East Asia and Oceania	8.9	12%	6.4	-3%	0.5	1%	15.8	5%
Other¹⁾	10.1	28%	1.4	17%	3.5	10%	15.0	22%
Total	117.7	0%	97.4	0%	12.2	-9%	227.4	0%
Share of total	52%		43%		5%		100%	

¹⁾ Region "Other" includes licensing revenues, sales of cables, broadcast services, power modules and other businesses.

The acquired Technicolor Broadcast Service Division is reported in region "Other." Multimedia brokering (IPX) was part of region "Other" and divested end Q312. The power cable business was divested in Q313.

BOARD OF DIRECTORS' REPORT CONTINUED

Continued compliance with the Swedish Corporate Governance Code

Ericsson is committed to complying with best-practice corporate governance standards on a global level wherever possible. In 2013, Ericsson did not report any deviations from the Code.

Business integrity

Ericsson's Code of Business Ethics summarizes the Group's basic policies and directives governing its relationships internally, with its stakeholders and with others. It also sets out how the Group works to secure that business activities are conducted with a strong sense of integrity. There have been no amendments to Ericsson's Code of Business Ethics or waivers from a provision of the Code to any member of Group management.

Board of Directors

The Annual General Meeting held on April 9, 2013, re-elected Leif Johansson Chairman of the Board. Roxanne S. Austin, Sir Peter L. Bonfield, Börje Ekholm, Alexander Izosimov, Ulf J. Johansson, Sverker Martin-Löf, Hans Vestberg and Jacob Wallenberg were re-elected and Nora Denzel, Kristin Skogen Lund and Pär Östberg were elected new members of the Board. Pehr Claesson, Kristina Davidsson and Karin Åberg were appointed employee representatives by the unions, with Rickard Fredriksson, Karin Lennartsson and Roger Svensson as deputies.

Management

Hans Vestberg has been President and CEO of the Group since January 1, 2010. The President and CEO is supported by the Group management, consisting of the Executive Leadership Team (ELT).

A global management system is in place to ensure that Ericsson's business is well controlled and has the ability to fulfill the objectives of major stakeholders within established risk limits. The management system also monitors internal control and compliance with applicable laws, listing requirements and governance codes.

Remuneration

Remuneration to the members of the Board of Directors and to Group management, as well as the Guidelines for remuneration to Group Management resolved by the Annual General Meeting 2013, are reported in Notes to the consolidated financial statements – Note C28, "Information regarding members of the Board of Directors, the Group management and employees".

As of December 31, 2013, there were no loans outstanding from and no guarantees issued to or assumed by Ericsson for the benefit of any member of the Board of Directors or senior management.

The Board of Directors' proposal for guidelines for remuneration to Group management

The Board of Directors proposes that the Annual General Meeting resolves on the following guidelines for remuneration to Group management for the period up to the 2015 Annual General Meeting. Compared to the guidelines resolved by the 2013 Annual General Meeting, a reference to the normally applicable pensionable age has been deleted.

Guidelines for remuneration to Group management

For Group management consisting of the Executive Leadership Team, including the President and CEO, total remuneration consists of fixed salary, short- and long-term variable compensation, pension and other benefits. The following guidelines apply to the remuneration of the Executive Leadership Team:

- > Variable compensation is in cash and stock-based programs awarded against specific business targets derived from the long-term business plan approved by the Board of Directors. Targets may include financial targets at either Group or unit level, operational targets, employee engagement targets and customer satisfaction targets.
- > All benefits, including pension benefits, follow the competitive practice in the home country taking total compensation into account.
- > By way of exception, additional arrangements can be made when deemed necessary. An additional arrangement can be renewed but each such arrangement shall be limited in time and shall not exceed a period of 36 months and twice the remuneration that the individual would have received had no additional arrangement been made.

- > The mutual notice period may be no more than six months. Upon termination of employment by the Company, severance pay amounting to a maximum of 18 months fixed salary is paid. Notice of termination given by the employee due to significant structural changes, or other events that in a determining manner affect the content of work or the condition for the position, is equated with notice of termination served by the Company.

Executive Performance Stock Plan

The Company has a Long-Term Variable remuneration program (LTV). It builds on a common platform, but consists of three separate plans: one targeting all employees, one targeting key contributors and one targeting senior managers. The program is designed to encourage long-term value creation in alignment with shareholders' interests. The aim of the plan for senior managers is to attract, retain and motivate executives in a competitive market through performance-based share-related incentives and to encourage the build-up of significant equity stakes. The performance criteria for senior managers under the Executive Performance Stock Plan are revised yearly and approved by the Annual General Meeting. Performance criteria for the 2014 Executive Performance Stock Plan will be communicated in the notice to the Annual General Meeting.

The targets for the 2011, 2012 and 2013 Executive Performance Stock Plans are shown in the illustration below. The performance criteria are:

- > Up to one-third of the award will vest if the target for compound annual growth rate of consolidated net sales is achieved
- > Up to one-third of the award will vest if the target for compound annual growth rate of consolidated operating income, including earnings in joint ventures and restructuring, is achieved. For the 2011 plan, base year

2010 excludes restructuring charges of SEK 6.8 billion. For the 2013 plan, base year 2012 excludes a non-cash charge of SEK 8.0 billion for ST-Ericsson.

- > Up to one-third of the award will vest if cash conversion is at or above 70% during each of the years and vesting one-ninth of the award for each year the target is achieved.

The cash conversion target was reached in 2013 and 2012 but not reached in 2011.

Before the number of performance shares to be matched are finally determined, the Board of Directors shall examine whether the performance matching is reasonable considering the Company's financial results and position, conditions on the stock market and other circumstances, and if not, reduce the number of performance shares.

MATERIAL CONTRACTS

Material contractual obligations are outlined in Note C31, "Contractual obligations." These were entered into in the ordinary course of business and were primarily related to operating leases for office and production facilities, purchase contracts for outsourced manufacturing, R&D and IT operations, and the purchase of components for the Company's own manufacturing.

Ericsson is party to certain agreements, which include provisions that may take effect or be altered or invalidated by a change in control of the Company as a result of a public takeover offer. Such provisions are not unusual for certain types of agreements, such as financing agreements and certain license agreements. However, considering among other things the Company's strong financial position, none of the agreements currently in effect would entail any material consequence to Ericsson due to a change in control of the Company.

Shareholder value creation

Executive Performance Stock Plan 2011
targets for 2011–2013
Base year 2010

Executive Performance Stock Plan 2012
targets for 2012–2014
Base year 2011

Executive Performance Stock Plan 2013
targets for 2013–2015
Base year 2012

Net sales growth 4–10% CAGR

Net sales growth 2–8% CAGR

Net sales growth 2–8% CAGR

Operating income growth 5–15% CAGR
including JV(s) and restructuring¹⁾

Operating income growth 5–15% CAGR
including JV(s) and restructuring

Operating income growth 5–15% CAGR
including JV(s) and restructuring²⁾

Cash conversion ≥ 70% annually

Cash conversion ≥ 70% annually

Cash conversion ≥ 70% annually

¹⁾ Base year 2010 excludes restructuring charges. ²⁾ Base year 2012 excludes non-cash charge for ST-Ericsson.

BOARD OF DIRECTORS' REPORT CONTINUED

RISK MANAGEMENT

Risks are defined in both short-term and long-term perspective. They are categorized into industry and market risks, commercial risks, operational risks and compliance risks. Ericsson's risk management is based on the following principles, which apply universally across all business activities and risk types:

- Risk management is an integrated part of the Ericsson Group Management System
- Each operational unit is accountable for owning and managing its risks according to policies, directives and process tools. Decisions are made or escalated according to defined delegation of authority. Financial risks are coordinated through Group Function Finance
- Risks are dealt with during the strategy process, annual planning and target setting, continuous monitoring through monthly and quarterly steering group meetings and during operational processes (customer projects, customer bid/contract, acquisition, investment and product development projects). They are subject to various controls such as decision tollgates and approvals.

At least twice a year, in connection with the approval of strategy and targets, risks are reviewed by the Board of Directors.

A central security unit coordinates management of certain risks, such as business interruption, information security and physical security. The Crisis Management Council deals with events of a serious nature.

For information on risks that could impact the fulfillment of targets and form the basis for mitigating activities, see the other sections of the Board of Directors' report, Notes C2, "Critical accounting estimates and judgments," C14, "Trade receivables and customer finance," C19, "Interest-bearing liabilities," C20, "Financial risk management and financial instruments" and the chapter Risk factors.

SOURCING AND SUPPLY

Ericsson's hardware largely consists of electronics. For manufacturing, the Company purchases customized and standardized components and services from several global providers as well as from local and regional suppliers. Certain types of components, such as power modules, are produced in-house.

The production of electronic modules and sub-assemblies is mostly outsourced to manufacturing services companies, of which the vast majority are in low-cost countries. Production of radio base stations is largely done in-house and on-demand. This consists of assembling and testing modules and integrating them into complete units. Final assembly and testing are concentrated to a few sites. Ericsson has 14 manufacturing sites in Brazil, China, Estonia, India, Italy, Mexico and Sweden.

A number of suppliers design and manufacture highly specialized and customized components. The Company generally attempts to negotiate global supply agreements with its primary suppliers. Ericsson's suppliers are required to comply with the requirements of Ericsson's Code of Conduct.

Where possible, Ericsson relies on alternative supply sources and seeks to avoid single source supply situations. A need to switch to an alternative supplier may require allocation of additional resources. This process could take some time to complete.

Variations in market prices for raw materials generally have a limited effect on total cost of goods sold. For more information, see the chapter Risk factors.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

The Company has implemented strong social, environmental and ethical standards supporting value creation and risk management. This commitment generates positive business impacts, which in turn benefits society.

Ericsson's approach to Sustainability and Corporate Responsibility (CR) is integrated into its core business operations throughout its value chain. The Board of Directors considers these aspects in governance decision-making. Group policies and directives ensure consistency across global operations. Ericsson publishes an annual Sustainability and Corporate Responsibility Report, which provides additional information.

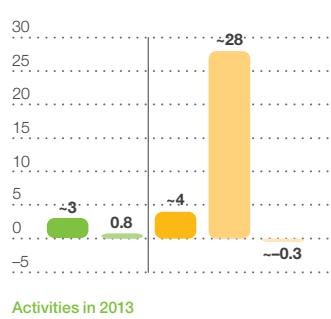
Responsible business practices

Since 2000, Ericsson has supported the UN Global Compact, and endorses its ten principles regarding human rights and labor standards, anti-corruption and environmental protection.

In 2013, Ericsson reported its Communication on Progress at the Global Compact Advanced

Ericsson life-cycle assessment – carbon footprint 2013

Mtonnes CO₂e



~ Approximately

Carbon footprint intensity target

Percent



Ericsson own activities
Products in operation
Five-year target

level. The Ericsson Group Management System (EGMS) includes a Code of Business Ethics, a Code of Conduct and a Sustainability Policy which reflect responsible business practices. These practices are reinforced by employee awareness training, workshops and monitoring, including a global assessment plan run by an external assurance provider.

Ericsson has adopted an anti-corruption program which is reviewed and evaluated by the Audit Committee of the Board of Directors annually. The program continues to evolve and a new version of the Company's e-learning regarding anti-corruption was launched during the year. Approximately 85,000 employees have completed the training.

Human rights

The Code of Business Ethics reflects the Company's ongoing commitment to respect human rights, and the UN Guiding Principles on Business and Human Rights. Ericsson has worked actively to strengthen its internal governance processes and has a Sales Compliance Board which considers potential human rights impacts in its decisions. The human rights risk tools used by the Sales Compliance Board include external global risk indices. Ericsson joined the Shift Business Learning Program to further strengthen its framework on Human Rights across the Company which included conducting a Human Rights Impact Assessment in Myanmar, in accordance with the UN Guiding Principles.

Responsible sourcing

All suppliers must comply with the requirements of Ericsson's Code of Conduct. Approximately 190 employees, covering all regions, are trained as Code of Conduct auditors. The Company uses a risk-based approach to ensure that the high risk portfolio areas, and highest risk markets, are targeted first. For prioritized areas, Ericsson performs regular audits and works with suppliers to ensure measurable and continuous improvements. Findings are followed up to ensure that improvements are made.

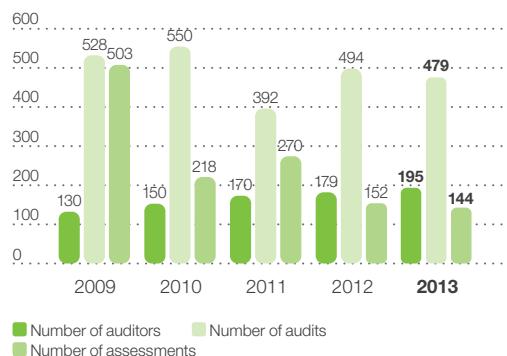
Ericsson addresses the issue of conflict minerals, including compliance with the US Dodd-Frank Act and the disclosure rule adopted by the U.S. Securities and Exchange Commission (SEC) through measures in its sourcing and product management processes.

Ericsson has actively engaged with its suppliers on this issue and suppliers within scope have been queried on the smelters in their supply chain. Ericsson's supply chain is complex and both Ericsson and its suppliers are often many tiers away from the smelters.

Ericsson also participates in industry initiatives such as the Conflict-Free Sourcing Initiative (CFSI), driven by the Global e-Sustainability Initiative (GeSI), and the Electronic Industry Citizenship Coalition (EICC).

Supplier Code of Conduct

Audits and assessments



Reducing environmental impact

Energy use of products in operation remains the Company's most significant environmental impact. Ericsson works proactively with its customers to encourage network and site energy optimization, through innovative products, software, solutions and advisory services. Processes and controls are in place to ensure compliance with relevant product-related environmental, customer and regulatory requirements.

The Company works actively to reduce its environmental impact, with a focus on Design for Environment, which includes product energy efficiency and materials management. Continuously improving sustainability performance is fundamental to Ericsson's strategy – and a priority remains improving the life-cycle carbon footprint. Last year, Ericsson reported that it reached its five-year target to reduce carbon footprint intensity by 40% one year ahead of schedule. Ericsson continues to report on this performance for the final year. The target comprises two focus areas: Ericsson's own activities and the life-cycle impacts of products in operation. Results for the five-year target: A 56% reduction in direct emission intensity from own activities, including business travel, product transportation and facilities' energy use. A 47% reduction in indirect emission intensity from life-cycle impacts of products in operation.

Ericsson set a new long-term objective for its own operations in 2012, which is to maintain absolute CO₂e emissions from Ericsson's own activities for business travel, product transportation and facilities energy use in 2017 at the same level as in 2011. To achieve this long-term objective, the Company aims to reduce CO₂e emissions per employee by 30% over five years. The Company achieved a 10% reduction of CO₂e emissions per employee in 2013.

Ericsson Ecology Management is a program to take responsibility for products at the end of their life and to treat them in an environmentally preferable way. The program also ensures that

BOARD OF DIRECTORS' REPORT CONTINUED

Ericsson fulfills its producer responsibility and is offered to all customers globally free of charge, not only in markets where it is required by law.

Radio waves and health

Ericsson employs rigid product testing and installation procedures with the goal of ensuring that radio wave exposure levels from products and network solutions are below established safety limits. The Company also provides public information on radio waves and health, and supports independent research to further increase knowledge in this area. Since 1996, Ericsson has co-sponsored over 100 studies related to electromagnetic fields and health, primarily through the Mobile Manufacturers Forum. To assure scientific independence, firewalls were in place between the industrial sponsors and the researchers conducting these studies. Independent expert groups and public health authorities, including the World Health Organization, have reviewed the total amount of research and have consistently concluded that the balance of evidence does not demonstrate any health effects associated with radio wave exposure from either mobile phones or radio base stations.

Reporting according to GRI 3.0

Ericsson publishes an annual Sustainability and Corporate Responsibility report and full key performance data is made available on the Ericsson website according to the Global Reporting Initiative (GRI). The performance data is assured by a third party.

LEGAL PROCEEDINGS

In November 2012, Ericsson filed two patent infringement lawsuits in the US District Court for the Eastern District of Texas against Samsung. Ericsson sought damages and an injunction. Ericsson also asked the Court to adjudge that Samsung breached its commitment to license any standard-essential patents it owns on fair, reasonable, and non-discriminatory terms and to declare Samsung's allegedly standard essential patents to be unenforceable. In March 2013, Samsung filed its answers and counterclaims in the Ericsson suits in Texas, USA.

In November 2012, Ericsson also filed a complaint with the US International Trade Commission (ITC), seeking an exclusion order blocking Samsung from import of certain products into the USA.

In December 2012, Samsung filed a complaint with the ITC seeking an exclusion order blocking Ericsson from import of certain products into the USA.

On January 27, 2014, Ericsson announced that an agreement had been signed with Samsung on global patent licenses between the two companies. The cross-license agreement covers patents relating to GSM, UMTS, and LTE standards for both networks and handsets.

The agreement ends the complaints made by both companies against each other before ITC as well as the lawsuits before the U.S. District Court for the Eastern District of Texas.

On January 10, 2013, Adaptix Inc. filed two lawsuits against Ericsson, AT&T, AT&T Mobility and MetroPCS Communications in the US District Court for Eastern District of Texas alleging that certain Ericsson products infringe five US patents assigned to Adaptix. Adaptix seeks damages and an injunction.

On January 18, 2013, Adaptix filed a complaint with the Tokyo District Court alleging certain Ericsson products infringe two Japanese patents assigned to Adaptix. Adaptix seeks damages and an injunction.

On January 25, 2013, Adaptix filed a complaint with the US International Trade Commission (ITC) requesting that the commission open a patent infringement investigation into certain Ericsson products. In December 2013, this complaint was dismissed by the ITC based on Adaptix's withdrawal of the complaint.

In 2013, Ericsson filed a patent infringement lawsuit in the Delhi High Court against Indian handset company Micromax, seeking damages and an injunction. Ericsson alleged that Micromax products, compliant with the 2G/3G standard, infringe eight of Ericsson's Indian patents. As part of its defence, Micromax has filed a complaint to the Competition Commission of India (CCI) and the CCI has decided to refer the case to the Director General's Office for an in-depth investigation.

In 2012, Wi-LAN Inc., a US patent licensing company, filed a complaint against Ericsson in the US District Court of Southern Florida alleging that Ericsson's LTE products infringe three of Wi-LAN's US patents. Ericsson was sued in 2010 by Wi-LAN in another patent infringement lawsuit in the US District Court for the Eastern District of Texas. Wi-LAN alleged that Ericsson products, compliant with the 3GPP standard, infringe three US patents assigned to Wi-LAN.

In June 2013, a District Court Judge in the Florida case granted Ericsson's request for a Summary

Judgment and dismissed Wi-LAN's claims against Ericsson. Wi-LAN has appealed this decision. In July 2013, a jury in Tyler, Texas, found in Ericsson's favor in the Texas case. Wi-LAN may appeal the final decision by the Court.

In 2012, Airvana Networks Solutions Inc. sued Ericsson in the Supreme Court of the State of New York, alleging that Ericsson had violated key contract terms and misappropriated Airvana trade secrets and proprietary information. Ericsson announced on September 6, 2013 that it has acquired Airvana Network Solutions' EVDO business. The lawsuit filed by Airvana against Ericsson has now been dismissed.

In 2011, TruePosition sued Ericsson, Qualcomm, Alcatel-Lucent, the European Telecommunications Standards Institute (ETSI) and the Third Generation Partnership Project (3GPP) in the US District Court for the Eastern District of Pennsylvania for purported federal antitrust violations. The complaint alleged that Ericsson, Qualcomm and Alcatel-Lucent illegally conspired to block the adoption of TruePosition's proprietary technology into the new mobile positioning standards for LTE, while at the same time ensuring that their own technology was included into the new standards. The case is proceeding to discovery.

In 2007, H3G S.p.A. (H3G) filed arbitral proceedings in Italy against Ericsson. H3G claimed compensation from Ericsson for alleged breach of contract. In June 2013, the parties settled the dispute. The settlement is not considered to have a material impact on Ericsson's business, operating results or liquidity.

In addition to the proceedings discussed above, Ericsson companies are, and in the future may be, involved in various other lawsuits, claims and proceedings incidental to the ordinary course of business.

PARENT COMPANY

The Parent Company business consists mainly of corporate management, holding company functions and internal banking activities. It also handles customer credit management, performed on a commission basis by Ericsson Credit AB.

The Parent Company has 5 (6) branch offices. In total, the Group has 81 (71) branch and representative offices.

Financial information

Income after financial items was SEK 7.2 (-4.9) billion. The Parent Company had no sales in 2013 or 2012 to subsidiaries, while 30% (34%) of total purchases of goods and services were from such companies.

Major changes in the Parent Company's financial position for the year included:

- In 2012, a provision of SEK 3.3 billion was recognized, which provides for Ericsson's share of obligations for the wind-down of

ST-Ericsson. In 2013, SEK 2.1 billion has been utilized or reversed, which resulted in a net liability of SEK 1.2 billion

- Decreased current and non-current receivables from subsidiaries of SEK 7.1 billion
- Decreased other current receivables of SEK 2.0 billion
- Increased cash, cash equivalents and short-term investments of SEK 1.1 billion
- Decreased current and non-current liabilities to subsidiaries of SEK 5.2 billion
- Decreased other current liabilities of SEK 0.9 billion.

At year-end, cash, cash equivalents and short-term investments amounted to SEK 58.5 (57.4) billion.

Share information

As of December 31, 2013, the total number of shares in issue was 3,305,051,735, of which 261,755,983 were Class A shares, each carrying one vote, and 3,043,295,752 were Class B shares, each carrying one tenth of one vote. Both classes of shares have the same rights of participation in the net assets and earnings.

The two largest shareholders at year-end were Investor AB and AB Industriärden holding 21.50% and 15.21% respectively of the voting rights in the Parent Company.

In accordance with the conditions of the Long-Term Variable Remuneration Program (LTV) for Ericsson employees, 10,829,917 treasury shares were sold or distributed to employees in 2013. The quotient value of these shares was SEK 5.00, totaling SEK 54.1 million, representing less than 1% of capital stock, and compensation received for shares sold and distributed shares amounted to SEK 116.6 million.

The holding of treasury stock at December 31, 2013 was 73,968,178 Class B shares. The quotient value of these shares is SEK 5.00, totaling SEK 369.8 million, representing 2.2% of capital stock, and the purchase price amounts to SEK 571.6 million.

Proposed disposition of earnings

The Board of Directors proposes that a dividend of SEK 3.0 (2.75) per share be paid to shareholders duly registered on the record date April 16, 2014, and that the Parent Company shall retain the remaining part of non-restricted equity.

The Class B treasury shares held by the Parent Company are not entitled to receive dividend. Assuming that no treasury shares remain on the record date, the Board of Directors proposes that earnings be distributed as follows:

Amount to be paid to the shareholders	SEK 9,915,155,205
Amount to be retained by the Parent Company	SEK 13,882,835,598
Total non-restricted equity of the Parent Company	SEK 23,797,990,803

BOARD OF DIRECTORS' REPORT CONTINUED

As a basis for its dividend proposal, the Board of Directors has made an assessment in accordance with Chapter 18, Section 4 of the Swedish Companies Act of the Parent Company's and the Group's need for financial resources as well as the Parent Company's and the Group's liquidity, financial position in other respects and long-term ability to meet their commitments. The Group reports an equity ratio of 53% (50%) and a net cash amount of SEK 37.8 (38.5) billion.

The Board of Directors has also considered the Parent Company's result and financial position and the Group's position in general. In this respect, the Board of Directors has taken into account known commitments that may have an impact on the financial positions of the Parent Company and its subsidiaries.

The proposed dividend does not limit the Group's ability to make investments or raise funds, and it is the Board of Directors' assessment that the proposed dividend is well-balanced considering the nature, scope and risks of the business activities as well as the capital requirements for the Parent Company and the Group in addition to coming years' business plans and economic development.

BOARD ASSURANCE

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial position and results of operations.

The Board of Directors' Report for the Ericsson Group and the Parent Company provides a fair view of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 5, 2014
Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016-0680

Sverker Martin-Löf
 Deputy Chairman

Roxanne S. Austin
 Member of the Board

Börje Ekholm
 Member of the Board

Kristin Skogen Lund
 Member of the Board

Pehr Claesson
 Member of the Board

Leif Johansson
 Chairman

Sir Peter L. Bonfield
 Member of the Board

Alexander Izosimov
 Member of the Board

Hans Vestberg
 President, CEO and Member of the Board

Kristina Davidsson
 Member of the Board

Jacob Wallenberg
 Deputy Chairman

Nora Denzel
 Member of the Board

Ulf J. Johansson
 Member of the Board

Pär Östberg
 Member of the Board

Karin Åberg
 Member of the Board

EASY FINANCING FOR SMALL BUSINESSES

Some 200 million businesses in developing countries lack the financing they need to grow as access to capital is scarce and actually getting hold of money is inconvenient without access to a bank branch office or agent. Equally complicated is the repayment of loans, which could require a full day of travel to get to a bank.

In the Philippines, a mobile wallet solution connecting micro-financing institutions directly to borrowers is revolutionizing small business financing. People get funding sent directly to their mobile phone, or through agents offering cash-out services. Financial products and services are offered to customers utilizing the network of a large operator reaching more than 70 million subscriptions.

As a result, individuals starting up small businesses get financing fast, cheaply and securely. And by improving both the distribution and collection of start-up loans, micro-financing organizations improve efficiency, decrease default rates and extend their services to even more customers.

75%

Transaction costs can be cut by over 75% by moving payments from cash to mobile.



CONSOLIDATED FINANCIAL STATEMENTS WITH NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

January–December, SEK million	Notes	2013	2012	2011
Net sales	C3, C4	227,376	227,779	226,921
Cost of sales		-151,005	-155,699	-147,200
Gross income		76,371	72,080	79,721
Gross margin (%)		33.6%	31.6%	35.1%
Research and development expenses		-32,236	-32,833	-32,638
Selling and administrative expenses		-26,273	-26,023	-26,683
Operating expenses		-58,509	-58,856	-59,321
Other operating income and expenses	C6	113	8,965 ¹⁾	1,278
Operating income before shares in earnings of joint ventures and associated companies		17,975	22,189	21,678
Operating margin before shares in earnings of joint ventures and associated companies (%)		7.9%	9.7%	9.6%
Share in earnings of joint ventures and associated companies	C3, C12	-130	-11,731	-3,778
Operating income		17,845	10,458	17,900
Financial income	C7	1,346	1,708	2,882
Financial expenses	C7	-2,093	-1,984	-2,661
Income after financial items		17,098	10,182	18,121
Taxes	C8	-4,924	-4,244	-5,552
Net income		12,174	5,938	12,569
Net income attributable to:				
Stockholders of the Parent Company		12,005	5,775	12,194
Non-controlling interest		169	163	375
Other information				
Average number of shares, basic (million)	C9	3,226	3,216	3,206
Earnings per share attributable to stockholders of the Parent Company, basic (SEK) ²⁾	C9	3.72	1.80	3.80
Earnings per share attributable to stockholders of the Parent Company, diluted (SEK) ²⁾	C9	3.69	1.78	3.77

¹⁾ Includes gain on sale of Sony Ericsson of SEK 7.7 billion.

²⁾ Based on Net income attributable to stockholders of the Parent Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January–December, SEK million	2013	2012	2011
Net income	12,174	5,938	12,569
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefits pension plans including asset ceiling	3,214	-451	-6,963
Tax on items that will not be reclassified to profit or loss	-1,235	-59	1,810
Items that may be reclassified to profit or loss			
Cash flow hedges			
Gains/losses arising during the period	251	1,668	996
Reclassification adjustments for gains/losses included in profit or loss	-1,072	-568	-2,028
Adjustments for amounts transferred to initial carrying amount of hedged items	-	92	-
Revaluation of other investments in shares and participations			
Fair value remeasurement	71	6	-
Changes in cumulative translation adjustments	-1,687	-3,947	-964
Share of other comprehensive income of joint ventures and associated companies	-14	-486	-262
Tax on items that may be reclassified to profit or loss	179	-363	348
Total other comprehensive income, net of tax	-293	-4,108	-7,063
Total comprehensive income	11,881	1,830	5,506
Total comprehensive income attributable to:			
Stockholders of the Parent Company	11,712	1,716	5,081
Non-controlling interests	169	114	425

CONSOLIDATED BALANCE SHEET

December 31, SEK million	Notes	2013	2012
Assets			
Non-current assets			
Intangible assets	C10		
Capitalized development expenses		3,348	3,840
Goodwill		31,544	30,404
Intellectual property rights, brands and other intangible assets		12,815	15,202
Property, plant and equipment	C11, C26, C27	11,433	11,493
Financial assets			
Equity in joint ventures and associated companies	C12	2,568	2,842
Other investments in shares and participations	C12	505	386
Customer finance, non-current	C12	1,294	1,290
Other financial assets, non-current	C12	5,684	3,964
Deferred tax assets	C8	9,103	12,321
		78,294	81,742
Current assets			
Inventories	C13	22,759	28,802
Trade receivables	C14	71,013	63,660
Customer finance, current	C14	2,094	4,019
Other current receivables	C15	17,941	20,065
Short-term investments	C20	34,994	32,026
Cash and cash equivalents	C25	42,095	44,682
		190,896	193,254
Total assets		269,190	274,996
Equity and liabilities			
Equity			
Stockholders' equity	C16	140,204	136,883
Non-controlling interest in equity of subsidiaries		1,419	1,600
		141,623	138,483
Non-current liabilities			
Post-employment benefits ¹⁾	C17	9,825	9,503
Provisions, non-current	C18	222	211
Deferred tax liabilities	C8	2,650	3,120
Borrowings, non-current	C19, C20	22,067	23,898
Other non-current liabilities		1,459	2,377
		36,223	39,109
Current liabilities			
Provisions, current	C18	5,140	8,427
Borrowings, current	C19, C20	7,388	4,769
Trade payables	C22	20,502	23,100
Other current liabilities ¹⁾	C21	58,314	61,108
		91,344	97,404
Total equity and liabilities ²⁾		269,190	274,996

¹⁾ As of January 1, 2013 the provision for the Swedish special payroll taxes, amounting to SEK 1.8 billion, which was previously included in Other current liabilities, has been re-classified as pension liability in line with the implementation of IAS 19R.

²⁾ Of which interest-bearing liabilities and post-employment benefits SEK 39,280 (38,170) million.

CONSOLIDATED STATEMENT OF CASH FLOWS

January–December, SEK million	Notes	2013	2012	2011
Operating activities				
Net income		12,174	5,938	12,569
Adjustments to reconcile net income to cash	C25	9,828	13,077	12,613
		22,002	19,015	25,182
Changes in operating net assets				
Inventories		4,868	2,752	-3,243
Customer finance, current and non-current		1,809	-1,259	74
Trade receivables		-8,504	-1,103	-1,700
Trade payables		-2,158	-1,311	-1,648
Provisions and post-employment benefits		-3,298	-1,920	-5,695
Other operating assets and liabilities, net		2,670	5,857	-2,988
		-4,613	3,016	-15,200
Cash flow from operating activities		17,389	22,031	9,982
Investing activities				
Investments in property, plant and equipment	C11	-4,503	-5,429	-4,994
Sales of property, plant and equipment		378	568	386
Acquisitions of subsidiaries and other operations	C25, C26	-3,147	-11,529 ¹⁾	-3,181
Divestments of subsidiaries and other operations	C25, C26	465	9,452	53
Product development	C10	-915	-1,641	-1,515
Other investing activities		-1,330	1,540	-900
Short-term investments		-2,057	2,151	14,692
Cash flow from investing activities		-11,109	-4,888	4,541
Cash flow before financing activities		6,280	17,143	14,523
Financing activities				
Proceeds from issuance of borrowings		5,956	8,969	2,076
Repayment of borrowings		-5,094	-9,670	-1,259
Proceeds from stock issue		-	159	-
Sale/repurchase of own shares		90	-93	92
Dividends paid		-9,153	-8,632	-7,455
Other financing activities		-1,307	-118	52
Cash flow from financing activities		-9,508	-9,385	-6,494
Effect of exchange rate changes on cash		641	-1,752	-217
Net change in cash		-2,587	6,006	7,812
Cash and cash equivalents, beginning of period		44,682	38,676	30,864
Cash and cash equivalents, end of period	C25	42,095	44,682	38,676

¹⁾ Includes payment of external loan of SEK -6.2 billion attributable to the acquisition of Telcordia.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity and Other comprehensive income 2013

SEK million	Capital stock	Additional paid in capital	Retained earnings	Stockholders' equity	Non-controlling interest	Total equity
January 1, 2013	16,526	24,731	95,626	136,883	1,600	138,483
Net income						
Group	–	–	12,135	12,135	169	12,304
Joint ventures and associated companies	–	–	–130	–130	–	–130
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements related to post-employment benefits						
Group	–	–	3,214	3,214	–	3,214
Tax on items that will not be reclassified to profit or loss	–	–	–1,235	–1,235	–	–1,235
Items that may be reclassified to profit or loss						
Cash flow hedges						
Gains/losses arising during the year						
Group	–	–	251	251	–	251
Reclassification adjustments for gains/losses included in profit or loss	–	–	–1,072 ¹⁾	–1,072	–	–1,072
Revaluation of other investments in shares and participations						
Group	–	–	71	71	–	71
Changes in cumulative translation adjustments						
Group	–	–	–1,687 ²⁾	–1,687	0	–1,687
Joint ventures and associated companies	–	–	–14	–14	–	–14
Tax on items that may be reclassified to profit or loss ³⁾	–	–	179	179	–	179
Total other comprehensive income, net of tax	–	–	–293	–293	–	–293
Total comprehensive income	–	–	11,712	11,712	169	11,881
Transactions with owners						
Stock issue	–	–	–	–	–	–
Sale/repurchase of own shares	–	–	90	90	–	90
Stock purchase plans						
Group	–	–	388	388	–	388
Joint ventures and associated companies	–	–	–	–	–	–
Dividends paid	–	–	–8,863	–8,863 ⁴⁾	–290	–9,153
Transactions with non-controlling interest	–	–	–6	–6	–60	–66
December 31, 2013	16,526	24,731	98,947	140,204	1,419	141,623

¹⁾ SEK –754 million is recognized in Net sales, SEK –495 million is recognized in Cost of sales, SEK 177 million is recognized in R&D expenses.

²⁾ Changes in cumulative translation adjustments include changes regarding revaluation of goodwill in local currency of SEK –204 million (SEK –1,400 million in 2012 and SEK 46 million in 2011), gain/loss from hedging activities of foreign entities, SEK 0 million (SEK 0 million in 2012 and SEK 9 million in 2011), and realized gain/losses net from sold/liquidated companies, SEK –20 million (SEK –461 million in 2012 and SEK 192 million in 2011).

³⁾ For further disclosures, see Note C8, "Taxes."

⁴⁾ Dividends paid per share amounted to SEK 2.75 (SEK 2.50 in 2012 and SEK 2.25 in 2011).

Equity and Other comprehensive income 2012

SEK million	Capital stock	Additional paid in capital	Retained earnings	Stock-holders' equity	Non-controlling interest	Total equity
January 1, 2012	16,367	24,731	102,007	143,105	2,165	145,270
Net income						
Group	–	–	17,411	17,411	163	17,574
Joint ventures and associated companies	–	–	-11,636	-11,636	–	-11,636
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements related to post-employment benefits						
Group	–	–	-451	-451	–	-451
Joint ventures and associated companies	–	–	50	50	–	50
Tax on items that will not be reclassified to profit or loss	–	–	-59	-59	–	-59
Items that may be reclassified to profit or loss						
Cash flow hedges						
Gains/losses arising during the year						
Group	–	–	1,668	1,668	–	1,668
Joint ventures and associated companies	–	–	-25	-25	–	-25
Reclassification adjustments for gains/losses included in profit or loss	–	–	-568	-568	–	-568
Adjustments for amounts transferred to initial carrying amount of hedged items	–	–	92	92	–	92
Revaluation of other investments in shares and participations						
Group	–	–	6	6	–	6
Changes in cumulative translation adjustments						
Group	–	–	-3,898	-3,898	-49	-3,947
Joint ventures and associated companies	–	–	-511	-511	–	-511
Tax on items that may be reclassified to profit or loss	–	–	-363	-363	–	-363
Total other comprehensive income, net of tax	–	–	-4,059	-4,059	-49	-4,108
Total comprehensive income	–	–	1,716	1,716	114	1,830
Transactions with owners						
Stock issue	159	–	–	159	–	159
Sale/repurchase of own shares	–	–	-93	-93	–	-93
Stock purchase plans						
Group	–	–	405	405	–	405
Joint ventures and associated companies	–	–	–	–	–	–
Dividends paid	–	–	-8,033	-8,033	-599	-8,632
Transactions with non-controlling interest	–	–	-376	-376	-80	-456
December 31, 2012	16,526	24,731	95,626	136,883	1,600	138,483

Equity and Other comprehensive income 2011

SEK million	Capital stock	Additional paid in capital	Retained earnings	Stock-holders' equity	Non-controlling interest	Total equity
January 1, 2011	16,367	24,731	104,008	145,106	1,679	146,785
Net income						
Group	–	–	15,727	15,727	375	16,102
Joint ventures and associated companies	–	–	–3,533	–3,533	–	–3,533
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements related to post-employment benefits						
Group	–	–	–6,963	–6,963	–	–6,963
Joint ventures and associated companies	–	–	–212	–212	–	–212
Tax on items that will not be reclassified to profit or loss	–	–	1,810	1,810	–	1,810
Items that may be reclassified to profit or loss						
Cash flow hedges						
Gains/losses arising during the year						
Group	–	–	996	996	–	996
Joint ventures and associated companies	–	–	11	11	–	11
Reclassification adjustments for gains/losses included in profit or loss	–	–	–2,028	–2,028	–	–2,028
Changes in cumulative translation adjustments						
Group	–	–	–1,014	–1,014	50	–964
Joint ventures and associated companies	–	–	–61	–61	–	–61
Tax on items that may be reclassified to profit or loss	–	–	348	348	–	348
Total other comprehensive income, net of tax	–	–	–7,113	–7,113	50	–7,063
Total comprehensive income	–	–	5,081	5,081	425	5,506
Transactions with owners						
Sale of own shares	–	–	92	92	–	92
Stock purchase plans						
Group	–	–	413	413	–	413
Joint ventures and associated companies	–	–	–	–	–	–
Dividends paid	–	–	–7,207	–7,207	–248	–7,455
Transactions with non-controlling interest	–	–	–380	–380	309	–71
December 31, 2011	16,367	24,731	102,007	143,105	2,165	145,270

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

C1 SIGNIFICANT ACCOUNTING POLICIES

Introduction

The consolidated financial statements comprise Telefonaktiebolaget LM Ericsson, the Parent Company, and its subsidiaries ("the Company") and the Company's interests in joint ventures and associated companies. The Parent Company is domiciled in Sweden at Torshamngatan 21, SE-164 83 Stockholm.

The consolidated financial statements for the year ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and RFR 1 "Additional rules for Group Accounting," related interpretations issued by the Swedish Financial Reporting Board (Rådet för finansiell rapportering), and the Swedish Annual Accounts Act. For the financial reporting of 2013, the Company has applied IFRS as issued by the IASB (IFRS effective as per December 31, 2013) and with early application in relation to the amendment to IAS 36, "Impairment of assets" on recoverable amount disclosures. There is no difference between IFRS effective as per December 31, 2013, and IFRS as endorsed by the EU, nor is RFR 1 related interpretations issued by the Swedish Financial Reporting Board (Rådet för Finansiell Rapportering) or the Swedish Annual Accounts Act in conflict with IFRS, for all periods presented.

The financial statements were approved by the Board of Directors on March 5, 2014. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders.

New standards, amendments of standards and interpretations, effective as from January 1, 2013 are as follows:

- **Amendment to IAS 1, "Financial statement presentation regarding Other comprehensive income".** The main change resulting from this amendment is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether or not they are potentially recycled to profit or loss (reclassification adjustments).
 - **Amendment to IAS 19, "Employee benefits"** eliminates the corridor approach and calculates finance costs on a net funding basis. The Company implemented the immediate and full recognition of actuarial gains/losses in "Other comprehensive income" (OCI) in 2006, meaning that the corridor method has not been applied by the Company as from that date and therefore the transition to the revised IAS 19 has not had an effect on the present obligation and equity except for the reclassification described below. The main issue to address is the implementation of the net interest cost/income, which integrates the interest cost and expected interest income on assets to be based on a common discount rate. The impact for fiscal year 2012 in relation to this amendment would have been an increase in pension costs for 2012 of SEK 0.4 billion if it had been restated.
 - The Company has addressed the taxes to be incorporated into the defined benefit obligation. The Swedish special payroll taxes have been reclassified from "Other current liabilities" to "Post-employment benefits" with an amount of SEK 1.8 billion as of January 1, 2013. The amendment also includes additional disclosure requirements on yearly financial and demographic assumptions, sensitivity analysis, duration and multi-employer plans.
 - **Amendment to IFRS 7, "Financial instruments: Disclosures' on asset and liability offsetting."** This amendment requires disclosure of gross amounts related to financial instruments for which offset has been made.
 - **IFRS 10, "Consolidated financial statements."** The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It defines the principle of control, and establishes control as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. An entity controls an investee if the entity has power over the investee, has the ability to use the power and is exposed to variable returns. It also sets out the accounting requirements for the preparation of consolidated financial statements.
 - **IFRS 11, "Joint arrangements"** focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed. The Company did not apply the proportionate consolidation method prior to 2013.
 - **IFRS 12, "Disclosures of interests in other entities"** includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off-balance-sheet vehicles as well as non-controlling interests in the subsidiaries of the Company. The conclusion from the Company's adoption analysis of IFRS 12 is that as per December 31, 2013 the Company experienced no material impact as a result of this new standard that would require separate disclosures of non-controlling interests or associated companies or joint ventures as per this date. An exception to this relates to the Company's ownership in the associated company Rockstar Inc.
 - **IFRS 13, "Fair value measurement"** does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. This standard has also added disclosure requirements to IAS 34, Interim Financial Reporting, regarding the disclosure for financial instruments.
 - **IAS 27 (revised 2011), "Separate financial statements"** includes the provisions on separate financial statements that remain after the control provisions of IAS 27 have been included in the new IFRS 10.
 - **IAS 28 (revised 2011), "Associates and joint ventures"** includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
 - **Amendment to IAS 36, "Impairment of assets" on recoverable amount disclosures.** This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- None of the new or amended standards and interpretations have had any significant impact on the financial result or position nor on the disclosure of the Company.
- For information on "New standards and interpretations not yet adopted," refer to the end of this Note.

Change of hedge accounting

Due to cost efficiency reasons the Company has changed the hedge accounting.

The Company hedges highly probable forecast transactions related to sales and purchases with the purpose to limit the impact related to currency fluctuations on these forecasted transactions. This will not be changed.

The Company has, however, decided to discontinue hedge accounting for this type of hedges. Until 2012 the Company applied cash flow hedge accounting for highly probable forecast transactions. Revaluation of these hedges (incepted prior to January 1, 2013) has, prior to release, been reported under "Other comprehensive income" and is at release recycled to Sales, Cost of sales and R&D expenses respectively.

As from 2013, revaluation of new hedges (inception as from January 1, 2013) is reported under "Other operating income and expenses" in the Income statement.

Basis of presentation

The financial statements are presented in millions of Swedish Krona (SEK). They are prepared on a historical cost basis, except for certain financial assets and liabilities that are stated at fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale and plan assets related to defined benefit pension plans. Financial information in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity with related notes are presented with two comparison years while for the consolidated balance sheet financial information with related notes is presented with only one comparison year.

Basis of consolidation and composition of the group

The consolidated financial statements are prepared in accordance with the purchase method. Accordingly, consolidated stockholders' equity includes equity in subsidiaries, joint ventures and associated companies earned only after their acquisition.

As from January 1, 2013, subsidiaries are all companies for which Telefonaktiebolaget LM Ericsson, directly or indirectly, is the parent. To be classed as a parent, Telefonaktiebolaget LM Ericsson, directly or indirectly, must control another company which requires that the Parent Company has power over that other company, is exposed to variable returns from its involvement and has the ability to use its power over that other company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that such control ceases.

Before 2013, subsidiaries were all companies in which Telefonaktiebolaget LM Ericsson, directly or indirectly, had an ownership interest, including effective potential voting rights; companies over which the Company had the power to govern the financial and operating policies generally associated with ownership of more than one half of the voting rights; or companies over which Telefonaktiebolaget LM Ericsson, directly or indirectly, by agreement had control. The financial statements of subsidiaries were included in the consolidated financial statements from the date that control commenced until the date that control ceases. The change as from 2013 was made due to a change of IFRS, as disclosed under Introduction: see IFRS 10, "Consolidated financial statements."

Intra-group balances and any unrealized income and expense arising from intra-group transactions are fully eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Company is composed of a parent company, Telefonaktie-

bolaget LM Ericsson, with generally fully-owned subsidiaries in many countries of the world. The largest operating subsidiaries are the fully-owned telecom vendor companies Ericsson AB, incorporated in Sweden and Ericsson Inc., incorporated in the US.

Business combinations

At the acquisition of a business, the cost of the acquisition, being the purchase price, is measured as the fair value of the assets given, and liabilities incurred or assumed at the date of exchange, including any cost related to contingent consideration. Transaction costs attributable to the acquisition are expensed as incurred. The acquisition cost is allocated to acquired assets, liabilities and contingent liabilities based upon appraisals made, including assets and liabilities that were not recognized on the acquired entity's balance sheet, for example intangible assets such as customer relations, brands, patents and financial liabilities. Goodwill arises when the purchase price exceeds the fair value of recognizable acquired net assets. In acquisitions with non-controlling interests full or partial goodwill can be recognized. Final amounts are established within one year after the transaction date at the latest.

In case there is a put option for non-controlling interest in a subsidiary a corresponding financial liability is recognized.

Non-controlling interest

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in an associate, joint venture or financial asset. In addition, any amounts previously recognized in Other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in Other comprehensive income are reclassified to profit or loss.

At acquisition, there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Joint ventures and associated companies

Both joint ventures and associated companies are accounted for in accordance with the equity method. Under the equity method, the investment in an associate or joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. If the Company's interest in an associated company or joint venture is nil, the Company shall not, as prescribed by IFRS, recognize its part of any future losses. Provisions related to obligations for such an interest shall, however, be recognized in relation to such an interest.

As from January 1, 2013, JVs are classed as ownership interests under which the Company has joint control of another company, as prescribed under IFRS 11, "Joint Arrangements," a new standard effective as from 2013: see Introduction. Prior to 2013, JVs were classed as ownership interests where a joint influence was obtained through agreement. IFRS 11 has not changed the Company's accounting treatment of JVs.

Investments in associated companies, i.e. when the Company has significant influence and the power to participate in the financial and operating policy decisions of the associated company, but is not in

control or joint control over those policies. Normally this is the case in voting stock interest, including effective potential voting rights, which stand at at least 20% but not more than 50%.

The Company's share of income before taxes is reported in item "Share in earnings of joint ventures and associated companies", included in Operating Income. This reflects the fact that these interests are held for operating rather than investing or financial purposes. Ericsson's share of income taxes related to joint ventures and associated companies is reported under the line item Taxes in the income statement.

Unrealized gains on transactions between the Company and its associated companies and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Shares in earnings of joint ventures and associated companies included in consolidated equity which are undistributed are reported in Retained earnings in the balance sheet.

Impairment testing as well as recognition or reversal of impairment of investments in each joint venture is performed in the same manner as for intangible assets other than goodwill. The entire carrying value of each investment, including goodwill, is tested as a single asset. See also description under "Intangible assets other than goodwill" below.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in Other comprehensive income are reclassified to profit or loss where appropriate.

In Note C2, "Critical Accounting Estimates and Judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Foreign currency remeasurement and translation

Items included in the financial statements of each entity of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Swedish Krona (SEK), which is the Parent Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of each respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, unless deferred in Other comprehensive income under the hedge accounting practices as described below.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in OCI.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- Income and expenses for each income statement are translated at average exchange rates
- All resulting net exchange differences are recognized as a separate component of OCI.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are accounted for in OCI. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in OCI are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

There is no significant impact due to any currency of a hyperinflationary economy.

Statement of cash flows

The statement of cash flow is prepared in accordance with the indirect method. Cash flows in foreign subsidiaries are translated at the average exchange rate during the period. Payments for subsidiaries acquired or divested are reported as cash flow from investing activities, net of cash and cash equivalents acquired or disposed of, respectively.

Cash and cash equivalents consist of cash, bank, and short-term investments that are highly liquid monetary financial instruments with a remaining maturity of three months or less at the date of acquisition.

Revenue recognition

Background

The Company offers a comprehensive portfolio of telecommunication and data communication systems, professional services, and multimedia solutions. Products, both hardware and software as well as services, are in general standardized. The impact of this is that any acceptance terms are normally only formal requirements. In Note C3, "Segment information," the Company's products and services are disclosed in more detail as per operating segment.

The Company's products and services are generally sold under delivery-type or multi-year recurring services contracts. The delivery type contracts often contain content from more than one segment.

Accounting treatment

Sales are based on fair values of consideration received and recorded net of value added taxes, goods returned and estimated trade discounts. Revenue is recognized when risks and rewards have been transferred to the customer, with reference to all significant contractual terms, when:

- The product or service has been delivered
- The revenue amount is fixed or determinable
- The customer has received and activation has been made of separately sold software
- Collection is reasonably assured

Estimations of contractual performance criteria impact the timing and amounts of revenue recognized and may therefore defer revenue recognition until the performance criteria are met. The profitability of contracts is periodically assessed, and provisions for any estimated losses are made immediately when losses are probable.

Allocation and/or timing criteria specific to each type of contract are:

- Delivery-type contracts – These contracts relate to delivery, installation, integration of products and provision of related services, normally under multiple elements contracts. Under multiple elements contracts, accounting is based on that the revenue recognition criteria are applied to the separately identifiable components of the contract. Revenue, including the impact of any discount or rebate, is allocated to each element based on relative fair values. Networks, Global Services and Support Solutions have contracts that relate to this type of arrangement.

- Contracts for services – These relate to multi-year service contracts such as support – and managed service contracts and other types of recurring services. Revenue is recognized when the services have been provided, generally pro rata over the contract period. Global Services has contracts that relate to this type of arrangement.
- Contracts generating license fees from third parties for the use of the Company's intellectual property rights – License fees are normally measured as a percentage of sales or currency amount per unit and recognized over the license period as the amount of the consideration becomes reasonably certain. Networks and Support Solutions have contracts that relate to this type of arrangement.

For sales between consolidated companies, associated companies, joint ventures and segments, the Company applies arm's length pricing.

In Note C2, "Critical accounting estimates and judgments," a further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Earnings per share

Basic earnings per share are calculated by dividing net income attributable to stockholders of the Parent Company by the weighted average number of shares outstanding (total number of shares less treasury stock) during the year.

Diluted earnings per share are calculated by dividing net income attributable to stockholders of the Parent Company, when appropriate adjusted by the sum of the weighted average number of ordinary shares outstanding and dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share.

Rights to matching shares are considered dilutive when the actual fulfillment of any performance conditions as of the reporting date would give a right to ordinary shares.

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the settlement date.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Separate assets or liabilities are recognized if any rights and obligations are created or retained in the transfer.

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

The fair values of quoted financial investments and derivatives are based on quoted market prices or rates. If official rates or market prices are not available, fair values are calculated by discounting the expected future cash flows at prevailing interest rates. Valuations of foreign exchange options and Interest Rate Guarantees (IRG) are made by using the Black-Scholes formula. Inputs to the valuations are market prices for implied volatility, foreign exchange and interest rates.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term.

Derivatives are classified as held for trading, unless they are designated as hedges. Assets in this category are classified as current assets.

Gains or losses arising from changes in the fair values of the "Financial assets at fair value through profit or loss" category (excluding derivatives) are presented in the income statement within Financial income in the period in which they arise. Derivatives are presented in the income statement either as Cost of sales, Other operating income, Financial income or Financial expense, depending on the intent with the transaction.

Loans and receivables

Receivables, including those that relate to customer financing, are subsequently measured at amortized cost using the effective interest rate method, less allowances for impairment charges. Trade receivables include amounts due from customers. The balance represents amounts billed to customers as well as amounts where risk and rewards have been transferred to the customer but the invoice has not yet been issued.

Collectability of the receivables is assessed for purposes of initial revenue recognition.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Dividends on available-for-sale equity instruments are recognized in the income statement as part of financial income when the Company's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in OCI. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in OCI. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized in OCI are included in the income statement.

Impairment

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as evidence that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from OCI and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

An assessment of impairment of receivables is performed when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of

an allowance account, and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is finally established as uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to selling expenses in the income statement.

Financial liabilities

Financial liabilities are recognized when the Company becomes bound to the contractual obligations of the instrument.

Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Hedge accounting

When applying hedge accounting, derivatives are initially recognized at fair value at trade date and subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- Fair value hedges: a hedge of the fair value of recognized liabilities;
- Cash flow hedges: a hedge of a particular risk associated with a highly probable forecast transaction; or
- Net investment hedges: a hedge of a net investment in a foreign operation.

At the inception of the hedge, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note C20, "Financial risk management and financial instruments." Movements in the hedging reserve in OCI are shown in Note C16, "Equity and other comprehensive income."

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

As disclosed under Introduction in this note, the Company has decided to discontinue hedge accounting for certain derivatives, as for new transactions dated January 1st, 2013 or later.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that

are attributable to the hedged risk, when hedge accounting is applied. The Company only applies fair value hedge accounting for hedging fixed interest risk on borrowings. Both gains and losses relating to the interest rate swaps hedging fixed rate borrowings and the changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognized in the income statement within Financial expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to the income statement over the remaining period to maturity.

Cash flow hedges

When applying hedge accounting, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI. The gain or loss relating to an ineffective portion is recognized immediately in the income statement within Financial income or expense.

Amounts deferred in OCI are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place), either in Net sales or Cost of sales. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in OCI are transferred from OCI and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in Cost of sales in case of inventory or in Depreciation in case of fixed assets. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss which at that time remains in OCI is recognized in the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the income statement within financial income or expense.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the cumulative translation adjustment (CTA). A gain or loss relating to an ineffective portion is recognized immediately in the income statement within Financial income or expense. Gains and losses deferred in CTA are included in the income statement when the foreign operation is partially disposed of or sold.

Financial guarantees

Financial guarantee contracts are initially recognized at fair value (i.e. usually the fee received). Subsequently, these contracts are measured at the higher of:

- The amount determined as the best estimate of the net expenditure required to settle the obligation according to the guarantee contract.
- The recognized contractual fee less cumulative amortization when amortized over the guarantee period, using the straight-line-method.
- The best estimate of the net expenditure comprising future fees and cash flows from subrogation rights.

Inventories

Inventories are measured at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis.

Risks of obsolescence have been measured by estimating market value based on future customer demand and changes in technology and customer acceptance of new products.

A significant part of Inventories is Contract work in progress (CWIP). Recognition and derecognition of CWIP relates to the Company's revenue recognition principles meaning that costs incurred under

a customer contract are recognized as CWIP. When revenue is recognized, CWIP is derecognized and is instead recognized as Cost of sales.

In Note C2, "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Intangible assets

Intangible assets other than goodwill

Intangible assets other than goodwill comprise acquired intangible assets, such as patents, customer relations, trademarks and software, as well as capitalized development expenses and separately acquired intangible assets, mainly consisting of software. At initial recognition, acquired intangible assets related to business combinations are stated at fair value and capitalized development expenses and software are stated at cost. Subsequent to initial recognition, separately acquired intangible assets, mainly software and capitalized development expenses, are stated at initially recognized amounts less accumulated amortization and any impairment. Amortization and any impairment losses are included in Research and development expenses, which mainly consists of capitalized development expenses and patents; in Selling and administrative expenses, which mainly consists of expenses relating to customer relations and brands; and in Cost of sales.

Costs incurred for development of products to be sold, leased or otherwise marketed or intended for internal use are capitalized as from when technological and economic feasibility has been established until the product is available for sale or use. Research and development expenses directly related to orders from customers are accounted for as a part of Cost of sales. Other research and development expenses are charged to income as incurred. Amortization of acquired intangible assets, such as patents, customer relations, trademarks and software, is made according to the straight-line method over their estimated useful lives, not exceeding ten years. However, if the economic benefit related to an item of intangible assets is front-end loaded the amortization method reflects this. Thus, the amortization for such an item is amortized on a digressive curve basis and the asset value decreases by higher amounts in the beginning of its useful life compared to the end.

The Company has not recognized any intangible assets with indefinite useful life other than goodwill.

Impairment tests are performed whenever there is an indication of possible impairment. However, intangible assets not yet available for use are tested annually. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. In assessing value in use, the estimated future cash flows after tax are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Application of after tax amounts in calculation, both in relation to cash flows and discount rate is applied due to that available models for calculating discount rate include a tax component. The after tax discount rate applied by the Company is not materially different from a discounting based on before-tax future cash flows and before-tax discount rates, as required by IFRS.

Corporate assets have been allocated to cash-generating units in relation to each unit's proportion of total net sales. The amount related to corporate assets is not significant. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amounts and if the recoverable amount is higher than the carrying value. An impairment loss is reversed only to the extent that the asset's carrying amount after reversal does not exceed the

carrying amount, net of amortization, which would have been reported if no impairment loss had been recognized.

In Note C2, "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Goodwill

As from the acquisition date, goodwill acquired in a business combination is allocated to each cash-generating unit (CGU) of the Company expected to benefit from the synergies of the combination. The Company's four operating segments have been identified as CGUs. Goodwill is assigned to three of them: Networks, Global Services and Support Solutions.

An annual impairment test for the CGUs to which goodwill has been allocated is performed in the fourth quarter, or when there is an indication of impairment. Impairment testing as well as recognition of impairment of goodwill is performed in the same manner as for intangible assets other than goodwill: see description under "Intangible assets other than goodwill" above. An impairment loss in respect of goodwill is not reversed.

Additional disclosure is required in relation to goodwill impairment testing: see Note C2, "Critical accounting estimates and judgments" below and Note C10, "Intangible assets."

Property, plant and equipment

Property, plant and equipment consist of real estate, machinery and other technical assets, other equipment, tools and installation and construction in process and advance payment. They are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is charged to income, generally on a straight-line basis, over the estimated useful life of each component of an item of property, plant and equipment, including buildings. Estimated useful lives are, in general, 25–50 years for real estate and 3–10 years for machinery and equipment. Depreciation and any impairment charges are included in Cost of sales, Research and development or Selling and administrative expenses.

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing a component and derecognizes the residual value of the replaced component.

Impairment testing as well as recognition or reversal of impairment of property, plant and equipment is performed in the same manner as for intangible assets other than goodwill: see description under "Intangible assets other than goodwill" above.

Gains and losses on disposals are determined by comparing the proceeds less cost to sell with the carrying amount and are recognized within Other operating income and expenses in the income statement.

Leasing

Leasing when the Company is the lessee

Leases on terms in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that type of asset, although the depreciation period must not exceed the lease term.

Other leases are operating leases, and the leased assets under such contracts are not recognized on the balance sheet. Costs under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Leasing when the Company is the lessor

Leasing contracts with the Company as lessor are classified as finance leases when the majority of risks and rewards are transferred to the lessee, and otherwise as operating leases. Under a finance lease, a receivable is recognized at an amount equal to the net investment in the lease and revenue is recognized in accordance with the revenue recognition principles.

Under operating leases the equipment is recorded as property, plant and equipment and revenue as well as depreciation is recognized on a straight-line basis over the lease term.

Income taxes

Income taxes in the consolidated financial statements include both current and deferred taxes. Income taxes are reported in the income statement unless the underlying item is reported directly in equity or OCI. For those items, the related income tax is also reported directly in equity or OCI. A current tax liability or asset is recognized for the estimated taxes payable or refundable for the current year or prior years.

Deferred tax is recognized for temporary differences between the book values of assets and liabilities and their tax values and for tax loss carry-forwards. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized. In the recognition of income taxes, the Company offsets current tax receivables against current tax liabilities and deferred tax assets against deferred tax liabilities in the balance sheet, when the Company has a legal right to offset these items and the intention to do so. Deferred tax is not recognized for the following temporary differences: goodwill not deductible for tax purposes, for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and for differences related to investments in subsidiaries when it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. An adjustment of deferred tax asset/liability balances due to a change in the tax rate is recognized in the income statement, unless it relates to a temporary difference earlier recognized directly in equity or OCI, in which case the adjustment is also recognized in equity or OCI.

The measurement of deferred tax assets involves judgment regarding the deductibility of costs not yet subject to taxation and estimates regarding sufficient future taxable income to enable utilization of unused tax losses in different tax jurisdictions. All deferred tax assets are subject to annual review of probable utilization. The largest amounts of tax loss carry-forwards relate to Sweden, which have an indefinite period of utilization.

In Note C2, "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Provisions and contingent liabilities

Provisions are made when there are legal or constructive obligations as a result of past events and when it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. When the effect of the time value of money is material, discounting is made of estimated outflows. However, the actual outflows as a result of the obligations may differ from such estimates.

The provisions are mainly related to warranty commitments, restructuring, customer projects and other obligations, such as unresolved income tax and value added tax issues, claims or obligations as a result of patent infringement and other litigations, supplier claims and customer finance guarantees.

Product warranty commitments consider probabilities of all material quality issues based on historical performance for established products and expected performance for new products, estimates of repair cost per unit, and volumes sold still under warranty up to the reporting date.

A restructuring obligation is considered to have arisen when the Company has a detailed formal plan for the restructuring (approved by management), which has been communicated in such a way that a valid expectation has been raised among those affected.

Project-related provisions include estimated losses on onerous contracts, contractual penalties and undertakings. For losses on customer contracts, a provision equal to the total estimated loss is recorded when a loss from a contract is anticipated and possible to estimate reliably. These contract loss estimates include any probable penalties to a customer under a loss contract.

Other provisions include provisions for unresolved tax issues, litigations, supplier claims, customer finance and other provisions. The Company provides for estimated future settlements related to patent infringements based on the probable outcome of each infringement. The actual outcome or actual cost of settling an individual infringement may vary from the Company's estimate.

The Company estimates the outcome of any potential patent infringement made known to the Company through assertion and through the Company's own monitoring of patent-related cases in the relevant legal systems. To the extent that the Company makes the judgment that an identified potential infringement will more likely than not result in an outflow of resources, the Company records a provision based on the Company's best estimate of the expenditure required to settle with the counterpart.

In the ordinary course of business, the Company is subject to proceedings, lawsuits and other unresolved claims, including proceedings under laws and government regulations and other matters. These matters are often resolved over a long period of time. The Company regularly assesses the likelihood of any adverse judgments in or outcomes of these matters, as well as potential ranges of possible losses. Provisions are recognized when it is probable that an obligation has arisen and the amount can be reasonably estimated based on a detailed analysis of each individual issue.

Certain present obligations are not recognized as provisions as it is not probable that an economic outflow will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Such obligations are reported as contingent liabilities. For further detailed information, see Note C24, "Contingent liabilities." In Note C2, "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Post-employment benefits

Pensions and other post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount to a separate entity (a pension trust fund) with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditures for defined contribution plans are recognized as expenses during the period when the employee provides service.

Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to current and former employees. The related actuarial and investment risks fall on the Company.

As from January 1, 2013, the present value of the defined benefit obligations for current and former employees is calculated using the Projected Unit Credit Method. The discount rate for each country is determined by reference to market yields on high-quality corporate

bonds that have maturity dates approximating the terms of the Company's obligations. In countries where there is no deep market in such bonds, the market yields on government bonds are used. The calculations are based upon actuarial assumptions, assessed on a quarterly basis, and are as a minimum prepared annually. Actuarial assumptions are the Company's best estimate of the variables that determine the cost of providing the benefits. When using actuarial assumptions, it is possible that the actual results will differ from the estimated results or that the actuarial assumptions will change from one period to another. These differences are reported as actuarial gains and losses. They are, for example, caused by unexpectedly high or low rates of employee turnover, changed life expectancy, salary changes and changes in the discount rate. Actuarial gains and losses are recognized in OCI in the period in which they occur. The Company's net liability for each defined benefit plan consists of the present value of pension commitments less the fair value of plan assets and is recognized net on the balance sheet. When the result is a net benefit to the Company, the recognized asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Interest cost on the defined benefit obligation and interest income on plan assets is calculated as a net interest amount by applying the discount rate to the net defined benefit liability. All past service costs are recognized immediately. Swedish special payroll tax is accounted for as a part of the pension cost and the pension liability respectively.

Payroll taxes related to actuarial gains and losses are included in determining actuarial gains and losses, reported under OCI.

Prior to 2013, the present value of the defined benefit obligations for current and former employees was calculated using the Projected Unit Credit Method. The discount rate for each country was determined by reference to market yields on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations. In countries where there is no deep market in such bonds, the market yields on government bonds were used. The calculations were based upon actuarial assumptions, assessed on a quarterly basis, and were as a minimum prepared annually. Actuarial assumptions were the Company's best estimate of the variables that determine the cost of providing the benefits. When using actuarial assumptions, it was possible that the actual results differed from the estimated results or that the actuarial assumptions changed from one period to another. These differences were reported as actuarial gains and losses. They were, for example, caused by unexpectedly high or low rates of employee turnover, changed life expectancy, salary changes, changes in the discount rate and differences between actual and expected return on plan assets. Actuarial gains and losses were recognized in OCI in the period in which they occurred. The Company's net liability for each defined benefit plan consists of the present value of pension commitments less the fair value of plan assets and was recognized net on the balance sheet. When the result was a net benefit to the Company, the recognized asset was limited to the total of any cumulative past service cost and the present value of any future refunds from the plan or reductions in future contributions to the plan.

In Note C2, "Critical accounting estimates and judgments," further disclosure is presented in relation to key sources of estimation uncertainty.

Share-based compensation to employees and the Board of Directors

Share-based compensation is related to remuneration to all employees, including key management personnel and the Board of Directors.

Under IFRS, a company shall recognize compensation costs for share-based compensation programs based on a measure of the value to the company of services received under the plans.

This value is based on the fair value of, for example, free shares at

grant date, measured as stock price as per each investment date. The value at grant date is charged to the income statement as any other remuneration over the service period. For example, value at grant date is 90. Given the normal service period of three years within Ericsson, 30 would be charged per year during the service period.

The amount charged to the income statement is reversed in equity each time of the income statement charge.

The reason for this IFRS accounting principle is that compensation cost is a cost with no direct cash flow impact. The purpose of share-based accounting according to IFRS (IFRS 2) is to present the impact of share-based programs, being part of the total remuneration, in the income statement.

Compensation to employees

Stock purchase plans

For stock purchase plans, compensation costs are recognized during the vesting period, based on the fair value of the Ericsson share at the employee's investment date. The fair value is based upon the share price at investment date, adjusted for the fact that no dividends will be received on matching shares prior to matching and other features that are non-vesting conditions. The employee pays a price equal to the share price at investment date for the investment shares. The investment date is considered as the grant date. In the balance sheet, the corresponding amounts are accounted for as equity. Vesting conditions are non-market-based and affect the number of shares that Ericsson will match. Other features of a share-based payment are non-vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services. Non-vesting conditions would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. When calculating the compensation costs for shares under performance-based matching programs, the Company at each reporting date assesses the probability that the performance targets will be met. Compensation expenses are based on estimates of the number of shares that will match at the end of the vesting period. When shares are matched, social security charges are to be paid in certain countries on the value of the employee benefit. The employee benefit is generally based on the market value of the shares at the matching date. During the vesting period, estimated amounts for such social security charges are expensed and accrued.

Compensation to the Board of Directors

During 2008, the Parent Company introduced a share-based compensation program as a part of the remuneration to the Board of Directors. The program gives non-employee Directors elected by the General Meeting of Shareholders a right to receive part of their remuneration as a future payment of an amount which corresponds to the market value of a share of class B in the Parent Company at the time of payment, as further disclosed in Note C28, "Information regarding members of the Board of Directors, the Group management and employees." The cost for cash settlements is measured and recognized based on the estimated costs for the program on a pro rata basis during the service period, being one year. The estimated costs are remeasured during and at the end of the service period.

Segment reporting

An operating segment is a component of a company whose operating results are regularly reviewed by the Company's chief operating decision maker, (CODM), to make decisions about resources to be allocated to the segment and assess its performance. Within the Company, the Group Management Team is defined as the CODM function.

The segment presentation, as per each segment, is based on the Company's accounting policies as disclosed in this note. The arm's length principle is applied in transactions between the segments.

The Company's segment disclosure about geographical areas is based on the country in which transfer of risks and rewards occur.

New standards and interpretations not yet adopted

A number of issued new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2013 and have not been applied in preparing these consolidated financial statements.

Below is a list of standards/interpretations, applicable for the Company, that have been issued and are effective for the periods starting from January 1, 2014 if not otherwise stated. These amendments effective as from January 1, 2014 are not expected to have a significant impact on the Company's financial result or position.

- **Amendment to IAS 32, "Financial instruments: Presentation," on asset and liability offsetting.** This amendment is related to the application of guidance in IAS 32, 'Financial instruments: Presentation,' and clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This amendment is effective as from 1 January, 2014.
- **IFRIC 21, "Levies."** This sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to the need to pay a levy and when a liability should be recognized.
- **IFRS 9, "Financial instruments."** IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. This amendment is expected to be effective as from 1 January, 2015 or later. The EU has not yet endorsed IFRS 9, 'Financial instruments.'

C2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements and application of accounting standards often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. However, other results may be derived with different judgments or using different assumptions or estimates, and events may occur that could require a material adjustment to the carrying amount of the asset or liability affected. Following are the most important accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

The information in this note is grouped as per:

- Key sources of estimation uncertainty
- Judgments management has made in the process of applying the Company's accounting policies.

Revenue recognition

Key sources of estimation uncertainty

Examples of estimates of total contract revenue and cost that are necessary are the assessing of customer possibility to reach conditional purchase volumes triggering contractual discounts to be given to the customer, the impact on the Company revenue in relation to performance criteria and whether any loss provisions shall be made.

Judgments made in relation to accounting policies applied

Parts of the Company's sales are generated from large and complex customer contracts. Managerial judgment is applied regarding, among other aspects, conformance with acceptance criteria and if transfer of risks and rewards to the buyer has taken place to determine if revenue and costs should be recognized in the current period, degree of completion and the customer credit standing to assess whether payment is likely or not to justify revenue recognition.

Trade and customer finance receivables

Key sources of estimation uncertainty

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual receivables will be paid. Total allowances for estimated losses as of December 31, 2013, were SEK 1.2 (1.1) billion or 1.6% (1.5%) of gross trade and customer finance receivables.

Credit risks for outstanding customer finance credits are regularly assessed as well, and allowances are recorded for estimated losses.

Inventory valuation

Key sources of estimation uncertainty

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales volumes and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess volumes are made. Inventory allowances for estimated losses as of December 31, 2013, amounted to SEK 2.5 (3.5) billion or 10% (11%) of gross inventory.

Deferred taxes

Key sources of estimation uncertainty

Deferred tax assets and liabilities, are recognized for temporary differences and for tax loss carry-forwards. Deferred tax is recognized net of valuation allowances. The valuation of temporary differences and tax loss carry-forwards, is based on management's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry-forwards may be utilized.

The largest amounts of tax loss carry-forwards are reported in

Sweden, with an indefinite period of utilization (i.e. with no expiry date). For further detailed information, please refer to Note C8, "Taxes".

At December 31, 2013, the value of deferred tax assets amounted to SEK 9.1 (12.3) billion. The deferred tax assets related to loss carry-forwards are reported as non-current assets.

Accounting for income tax, value added tax, and other taxes

Key sources of estimation uncertainty

Accounting for these items is based upon evaluation of income-, value added- and other tax rules in all jurisdictions where we perform activities. The total complexity of rules related to taxes and the accounting for these require management's involvement in judgments regarding classification of transactions and in estimates of probable outcomes of claimed deductions and/or disputes.

Acquired intellectual property rights and other intangible assets, including goodwill

Key sources of estimation uncertainty

At initial recognition, future cash flows are estimated, to ensure that the initial carrying values do not exceed the expected discounted cash flows for the items of this type of assets. After initial recognition, impairment testing is performed whenever there is an indication of impairment, except in the case of goodwill for which impairment testing is performed at least once per year. Negative deviations in actual cash flows compared to estimated cash flows as well as new estimates that indicate lower future cash flows might result in recognition of impairment charges.

For further discussion on goodwill, see Note C1, "Significant accounting policies" and Note C10, "Intangible assets." Estimates related to acquired intangible assets are based on similar assumptions and risks as for goodwill.

At December 31, 2013, the amount of acquired intellectual property rights and other intangible assets amounted to SEK 44.4 (45.6) billion, including goodwill of SEK 31.5 (30.4) billion.

Judgments made in relation to accounting policies applied
At initial recognition and subsequent remeasurement, management judgments are made, both for key assumptions and regarding impairment indicators. In the purchase price allocation made for each acquisition, the purchase price shall be assigned to the identifiable assets, liabilities and contingent liabilities based on fair values for these assets. Any remaining excess value is reported as goodwill. This allocation requires management judgment as well as the definition of cash-generating units for impairment testing purposes. Other judgments might result in significantly different results and financial position in the future.

Provisions

Warranty provisions

Key sources of estimation uncertainty

Provisions for product warranties are based on current volumes of products sold still under warranty and on historic quality rates for mature products as well as estimates and assumptions regarding future quality rates for new products and estimates of costs to remedy the various qualitative issues that might occur. Total provisions for product warranties as of December 31, 2013, amounted to SEK 0.9 (1.6) billion.

Provisions other than warranty provisions

Key sources of estimation uncertainty

Provisions, other than warranty provisions, mainly comprise amounts related to contractual obligations and penalties to customers and estimated losses on customer contracts, restructuring, risks associated with patent and other litigations, supplier or subcontractor claims and/

or disputes, as well as provisions for unresolved income tax and value added tax issues. The estimates related to the amounts of provisions for penalties, claims or losses receive special attention from the management. At December 31, 2013, provisions other than warranty commitments amounted to SEK 4.5 (7.0) billion. For further detailed information, see Note C18, "Provisions."

Judgments made in relation to accounting policies applied

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management's judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Contingent liabilities

Key sources of estimation uncertainty

As disclosed under 'Provisions other than warranty provisions' there are uncertainties in the estimated amounts. The same type of uncertainty exists for contingent liabilities.

Judgments made in relation to accounting policies

As disclosed under Note C1, "Significant accounting policies" a potential obligation that is not likely to result in an economic outflow is classified as a contingent liability, with no impact on the Company's financial statements. However, should an obligation in a later period be deemed to be probable, then a provision shall be recognized, impacting the financial statements.

Pension and other post-employment benefits

Key sources of estimation uncertainty

Accounting for the costs of defined benefit pension plans and other applicable post-employment benefits is based on actuarial valuations, relying on key estimates for discount rates, future salary increases, employee turnover rates and mortality tables. The discount rate assumptions are based on rates for high-quality fixed-income investments with durations as close as possible to the Company's pension plans. At December 31, 2013, defined benefit obligations for pensions and other post-employment benefits amounted to SEK 52.9 (52.0) billion and fair value of plan assets to SEK 46.6 (44.6) billion. For more information on estimates and assumptions, see Note C17, "Post-employment benefits."

Foreign exchange risks

Key sources of estimation uncertainty

Foreign exchange risk impacts the financial results of the Company: see further disclosure in Note C20, "Financial Risk Management and Financial Instruments," under Foreign Exchange Risk.

C3 SEGMENT INFORMATION

Operating segments

When determining Ericsson's operating segments, consideration has been given to which markets and what type of customers the products and services aim to attract, as well as the distribution channels they are sold through. Commonality regarding technology, research and development has also been taken into account. To best reflect the business focus and to facilitate comparability with peers, four operating segments are reported:

- Networks
- Global Services
- Support Solutions
- Modems

Networks delivers products and solutions for mobile access, IP and transport networks and core networks. The offering includes:

- Radio access solutions that interconnect with devices such as mobile phones, tablets and PCs. The RBS 6000 supports all major standardized mobile technologies
- IP and transport solutions based on the SSR 8000 family of products as well as transmission/backhaul including microwave (MINI-LINK) and optical transmission solutions for mobile and fixed networks
- Switching and IMS solutions, based on the Ericsson Blade Server platform, for core networks
- Operations Support Systems (OSS), supporting operators' management of existing networks and introduction of new technologies and services.

Global Services delivers managed services, product-related services, consulting and systems integration services as well as broadcast services. The offering includes:

- Managed Services: Services for designing, building, operating and managing the day-to-day operations of the customer's network or solution; maintenance; network sharing solutions; plus shared solutions such as hosting of platforms and applications. Ericsson also offers managed services of IT environments.
- Product-related services: Services to expand, upgrade, restructure or migrate networks; network-rollout services; customer support; and network optimization services.
- Consulting and Systems Integration: Technology and operational consulting; integration of multi-vendor equipment; design and integration of new solutions and transforming programs. Industry-specific solutions for vertical industries are also included.
- Broadcast Services: Services include responsibility for technical platforms and operational services related to TV content management, playout and service provisioning of a TV broadcaster's business. Services cover live and pre-recorded, commercial and public service television.

Support Solutions provides enablers and applications for operators. The offering includes:

- Operations Support Systems: plan, build and optimize, service fulfillment and service assurance.
- Business Support Systems: revenue management (prepaid, post-paid, convergent charging and billing), mediation and customer care solutions.
- TV solutions: a suite of open, standards-based solutions and products for the creation, management and delivery of evolved TV experiences on any device over any network. Includes a multi-screen TV platform with consumer experience creation, video content management, on-demand video delivery, advanced video compression and video-optimized delivery network infrastructure.
- M-Commerce solutions for money transfer: payment transactions and services between mobile subscribers and operators or other service providers.

Modems performs design, development and sales of the LTE multimode thin modem solutions, including 2G, 3G and 4G interoperability.

Modems was consolidated into Ericsson as of October 1, 2013.

Former segments

ST-Ericsson was formed in 2009 as a joint venture between Ericsson and STMicroelectronics. Early 2013 the parents agreed to split up and close the joint venture. The company ST-Ericsson is winding down and all business has been transferred to parents or divested during 2013. The acquired business is now consolidated into Ericsson in the new segment Modems. As of January 1, 2013, ST-Ericsson is no longer reported as a separate segment.

As of December 31, 2012 there were no remaining investments related to ST-Ericsson on the Company's balance sheet. For more information, see Note C12, "Financial assets."

Sony Ericsson was, up until 2012, a joint venture delivering mobile phones and accessories. In February 2012, Ericsson completed the divestment of its 50% stake in Sony Ericsson to Sony. The sale resulted in a gain of SEK 7.7 billion. Sony Ericsson was not consolidated by the Company during 2012.

Unallocated

Some revenues, costs, assets and liabilities are not identified as part of any operating segment and are therefore not allocated. Examples of such items are costs for corporate staff, IT costs and general marketing costs.

Regions

The Regions are the Company's primary sales channel. The Company operates worldwide and reports its operations divided into eleven regions:

- North America
- Latin America
- Northern Europe & Central Asia
- Western and Central Europe
- Mediterranean
- Middle East
- Sub-Saharan Africa
- India
- North East Asia
- South East Asia & Oceania
- Other.

Region "Other" includes licensing revenues, broadcast services, power modules and other businesses.

Major customers

The Company does not have any customer for which revenues from transactions have exceeded 10% of the Company's total revenues for the years 2013, 2012 or 2011.

We derive most of our sales from large, multi-year agreements with a limited number of significant customers. Out of a customer base of more than 400, mainly consisting of network operators, the 10 largest customers account for 44% (46%) of net sales. The largest customer accounted for approximately 8% (7%) of sales in 2013.

For more information, see Risk Factors, "Market, Technology and Business Risks."

Marketing channels

Marketing in a business-to-business environment is expanding, from being primarily conducted through personal meetings, to on-line forums, expert blogs and social media. Ericsson performs marketing through:

- › Customer engagement with a consultative approach
- › Selective focus on events and experience centers for customer experience and interaction

- › Continuous dialogue with customers and target audiences through social and other digital media (including virtual events)
- › Activation of the open social and digital media landscape to strengthen message reach and impact
- › Execution of solutions-driven programs, aligned globally and regionally.

Operating segments

2013	Networks	Global Services	Support Solutions	Modems	Total Segments	Unallocated	Group
Segment sales	117,699	97,443	12,234	–	227,376	–	227,376
Net sales	117,699	97,443	12,234	–	227,376	–	227,376
Operating income	11,318	6,185	1,455	–543	18,415	–570	17,845
Operating margin (%)	10%	6%	12%	–	8%	–	8%
Financial income							1,346
Financial expenses							–2,093
Income after financial items							17,098
Taxes							–4,924
Net income							12,174
Other segment items							
Share in earnings of joint ventures and associated companies	–155	60	–58	–	–153	23	–130
Amortization	–4,237	–925	–722	–44	–5,928	–	–5,928
Depreciation	–3,243	–788	–135	–61	–4,227	–	–4,227
Impairment losses	–5	–2	0	–	–7	–	–7
Reversals of impairment losses	19	5	1	–	25	–	25
Restructuring expenses	–2,182	–1,997	–186	–	–4,365	–88	–4,453
Gains/losses from divestments	–621	–166	–105	–	–892	51	–841

Revenue from the acquired Telcordia business operation is reported 50/50 between segments Global Services and Support Solutions.

Operating segments

2012	Networks	Global Services	Support Solutions	Sony Ericsson	ST-Ericsson	Total Segments	Unalloc-ated	Elimi-nations ¹⁾	Group
Segment sales	117,185	97,009	13,445	–	8,457	236,096	–	–8,457	227,639
Inter-segment sales	100	34	6	–	634	774	–	–634	140
Net sales	117,285	97,043	13,451	–	9,091	236,870	–	–9,091	227,779
Operating income	7,057	6,226	1,150	8,026 ²⁾	–15,447 ³⁾	7,012	–267	3,713	10,458
Operating margin (%)	6%	6%	9%	–	–170%	3%	–	–	5%
Financial income									1,708
Financial expenses									–1,984
Income after financial items									10,182
Taxes									–4,244
Net income									5,938
Other segment items									
Share in earnings of joint ventures and associated companies	–59	45	–20	–	–11,734 ³⁾	–11,768	37	–	–11,731
Amortization	–3,832	–853	–809	–	–322	–5,816	–	322	–5,494
Depreciation	–3,035	–727	–290	–	–741	–4,793	–	741	–4,052
Impairment losses	–385	–9	–1	–	– ⁴⁾	–395	–	–	–395
Reversals of impairment losses	39	9	4	–	–	52	–	–	52
Write-down of investment	–	–	–	–	–4,684	–4,684	–	–	–4,684
Restructuring expenses	–1,253	–1,930	–246	–	–624	–4,053	–18	624	–3,447
Gains/losses from divestments	–59	1	216	8,026 ²⁾	–	8,184	152	–	8,336

Revenue from the acquired Telcordia business operation is reported 50/50 between segments Global Services and Support Solutions.

¹⁾ All segment sales are presented, but as ST-Ericsson sales are accounted for in accordance with the equity method, their sales are eliminated in the Eliminations column.

²⁾ Includes a gain from the divestment of Sony Ericsson of SEK 7.7 billion.

³⁾ Includes a write-down of SEK –4.7 billion of the ST-Ericsson investment, a provision of SEK –3.3 billion and the Company's share in ST-Ericsson's operating loss of SEK –3.7 billion.

⁴⁾ Impairment losses included in Write-down of investment.

Operating segments

	Networks	Global Services	Support Solutions	Sony Ericsson	ST-Ericsson	Total Segments	Unallocated	Eliminations ¹⁾	Group
2011									
Segment sales	131,596	83,854	10,629	46,866	9,232	282,177	–	-56,098	226,079
Inter-segment sales	799	30	13	126	1,461	2,429	–	-1,587	842
Net sales	132,395	83,884	10,642	46,992	10,693	284,606	–	-57,685	226,921
Operating income	17,295	5,544	-504	-1,854	-5,461	15,020	-501	3,381	17,900
Operating margin (%)	13%	7%	-5%	-4%	-51%	5%	–	–	8%
Financial income									2,882
Financial expenses									-2,661
Income after financial items									18,121
Taxes									-5,552
Net income									12,569
Other segment items									
Share in earnings of joint ventures and associated companies	87	28	4	-1,199	-2,730	-3,810	32	–	-3,778
Amortization	-4,192	-481	-792	-1	-867	-6,333	–	868	-5,465
Depreciation	-2,783	-532	-184	-647	-823	-4,969	–	1,470	-3,499
Impairment losses	-50	-23	-12	–	-283	-368	–	283	-85
Reversals of impairment losses	12	–	1	–	–	13	–	–	13
Restructuring expenses	-1,600	-1,363	-143	-838	-280	-4,224	-78	1,118	-3,184
Gains/losses from divestments	-6	–	–	–	–	-6	164	–	158

¹⁾ All segment sales are presented, but as Sony Ericsson and ST-Ericsson sales are accounted for in accordance with the equity method, their sales are eliminated in the Eliminations column.

Regions

	Net sales			Non-current assets ⁵⁾		
	2013	2012	2011	2013	2012	2011
North America ³⁾	59,339	56,749	48,785	13,290	15,058	6,296
Latin America	21,982	22,006	21,982	1,742	2,084	2,268
Northern Europe & Central Asia ^{1) 2)}	11,618	11,345	15,225	38,522	38,335	41,008
Western & Central Europe ²⁾	18,485	17,478	19,030	3,539	2,922	5,097
Mediterranean ²⁾	24,156	23,299	23,807	1,089	1,099	1,395
Middle East	17,438	15,556	15,461	46	32	42
Sub-Saharan Africa	10,049	11,349	10,163	32	119	79
India	6,138	6,460	9,762	439	460	355
North East Asia ⁴⁾	27,398	36,196	38,209	2,667	3,371	3,939
South East Asia & Oceania	15,787	15,068	13,870	342	301	318
Other ^{1) 2) 3) 4)}	14,986	12,273	10,627	–	–	–
Total	227,376	227,779	226,921	61,708	63,781	60,797
¹⁾ Of which in Sweden	4,427	5,033	3,882	38,049	37,718	40,415
²⁾ Of which in EU	43,544	44,230	43,960	42,239	41,546	44,786
³⁾ Of which in the United States	59,085	56,698	46,519	11,173	13,003	6,020
⁴⁾ Of which in China	11,799	12,637	17,546	1,344	1,399	1,496

⁵⁾ Total non-current assets excluding financial instruments, deferred tax assets, and post-employment benefit assets.

For employee information, see Note C28, "Information regarding members of the Board of Directors, the Group management and employees."

C4 NET SALES

Net sales	2013	2012	2011
Sales of products and network rollout services	150,429	154,068	161,882
Of which:			
Delivery-type contracts	150,429	154,068	161,882
Professional Services sales	66,395	67,092	58,834
License revenues	10,552	6,619	6,205
Net sales	227,376	227,779	226,921
Export sales from Sweden	108,944	106,997	116,507

C5 EXPENSES BY NATURE

Expenses by nature	2013	2012	2011
Goods and services	129,453	137,769	142,221
Employee remuneration	65,064	64,100	58,905
Amortization and depreciation	10,155	9,546	8,964
Impairments and obsolescence allowances, net of reversals	537	1,999	1,363
Financial expenses	2,093	1,984	2,661
Taxes	4,924	4,244	5,552
Expenses incurred	212,226	219,642	219,666
Inventory changes ¹⁾	-5,220	-2,782	3,417
Additions to capitalized development	915	1,641	1,515
Expenses charged to the income statement	216,531	220,783	214,734

¹⁾ The inventory changes are based on changes of gross inventory values prior to obsolescence allowances.

Total restructuring charges in 2013 were SEK 4.5 (3.4) billion.

Restructuring charges are included in the expenses presented above.

Restructuring charges by function

	2013	2012	2011
Cost of sales	2,657	2,225	1,231
R&D expenses	872	852	561
Selling and administrative expenses	924	370	1,392
Total restructuring charges	4,453	3,447	3,184

C6 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses	2013	2012	2011
Gains on sales of intangible assets and PP&E	172	12	65
Losses on sales of intangible assets and PP&E	-307	-261	-64
Gains on sales of investments and operations	69	8,462 ¹⁾	210
Losses on sales of investments and operations	-910	-126	-52
Capital gains/losses, net	-976	8,087	159
Other operating revenues	1,089 ²⁾	878	1,119
Total other operating income and expenses	113	8,965	1,278

¹⁾ Includes a gain from the divestment of Sony Ericsson of SEK 7.7 billion.

²⁾ Includes revaluation of cash flow hedges of SEK 0.5 billion. For more information, see Note C1, "Significant accounting policies."

C7 FINANCIAL INCOME AND EXPENSES

Financial income and expenses

	2013		2012		2011
	Financial income	Financial expenses	Financial income	Financial expenses	Financial income
Contractual interest on financial assets	971	–	1,685	–	1,940
Of which on financial assets at fair value through profit or loss	597	–	1,308	–	1,381
Contractual interest on financial liabilities	–	–1,412	–	–1,734	–
Net gains/losses on:					
Instruments at fair value through profit or loss ¹⁾	447	–601	142	54	1,062
Of which included in fair value hedge relationships	–	–196	–	–129	–
Loans and receivables	–75	–	–127	–	–132
Liabilities at amortized cost	–	196	–	–133	–
Other financial income and expenses	3	–276	8	–171	12
Total	1,346	–2,093	1,708	–1,984	2,882

¹⁾ Excluding net gain from operating assets and liabilities, SEK 49 million (net gain of SEK 1,299 million in 2012, SEK 51 million in 2011), reported as Cost of sales.

C8 TAXES

The Company's tax expense for 2013 was SEK –4,924 (–4,244) million or 28.8% (41.7%) of income after financial items. The tax rate may vary between years depending on business and geographical mix.

Income taxes recognized in the income statement

	2013	2012	2011
Current income taxes for the year	–3,985	–5,795	–4,642
Current income taxes related to prior years	–26	–241	283
Deferred tax income/expense (+/-)	–913	1,697	–1,433
Subtotal	–4,924	–4,339	–5,592
Share of taxes in joint ventures and associated companies	0	95	240
Tax expense	–4,924	–4,244	–5,552

A reconciliation between reported tax expense for the year and the theoretical tax expense that would arise when applying statutory tax rate in Sweden, 22.0%, on the consolidated income before taxes, is shown in the table below.

Reconciliation of Swedish income tax rate with effective tax rate

	2013	2012	2011
Expected tax expense at Swedish tax rate 22.0%	–3,762	–2,678	–4,767
Effect of foreign tax rates	–935	–581	–1,126
Of which joint ventures and associated companies	–	–778	–754
Current income taxes related to prior years	–26	–241	283
Remeasurement of tax loss carry-forwards	165	134	224
Remeasurement of deductible temporary differences	86	468	81
Tax effect of non-deductible expenses	–620	–3,430	–768
Tax effect of non-taxable income	199	2,573	521
Tax effect of changes in tax rates	–31	–489	–
Tax expense	–4,924	–4,244	–5,552
Effective tax rate	28.8%	41.7%	30.6%

Deferred tax balances

Deferred tax assets and liabilities are derived from the balance sheet items as shown in the table below.

Tax effects of temporary differences and tax loss carry-forwards

	Deferred tax assets	Deferred tax liabilities	Net balance
2013			
Intangible assets and property, plant and equipment	300	3,143	
Current assets	1,958	164	
Post-employment benefits	2,008	1,033	
Provisions	997	293	
Other	2,416	171	
Loss carry-forwards	3,578	–	
Deferred tax assets/liabilities	11,257	4,804	6,453
Netting of assets/liabilities	–2,154	–2,154	
Deferred tax balances, net	9,103	2,650	6,453
2012			
Intangible assets and property, plant and equipment	941	4,579	
Current assets	2,388	293	
Post-employment benefits	2,600	614	
Provisions	1,512	48	
Other	3,487	432	
Loss carry-forwards	4,239	–	
Deferred tax assets/liabilities	15,167	5,966	9,201
Netting of assets/liabilities	–2,846	–2,846	
Deferred tax balances, net	12,321	3,120	9,201

Changes in deferred taxes, net

	2013	2012
Opening balance, net	9,201	10,770
Recognized in Net income	-913	1,697
Recognized in Other comprehensive income	-1,056	-422
Acquisitions/disposals of subsidiaries	-663	-2,309
Currency translation differences	-116	-535
Closing balance, net	6,453	9,201

Tax effects reported directly in Other comprehensive income amount to SEK -1,056 (-422) million, of which actuarial gains and losses related to pensions constituted SEK -1,231 (-57) million, cash flow hedges SEK 179 (-363) million and deferred tax on gains/losses on hedges on investments in foreign entities SEK -4 (-2) million.

Deferred tax assets are only recognized in countries where the Company expects to be able to generate corresponding taxable income in the future to benefit from tax reductions.

Significant tax loss carry-forwards are related to countries with long or indefinite periods of utilization, mainly Sweden and Germany. Of the total SEK 3,578 (4,239) million recognized deferred tax assets related to tax loss carry-forwards, SEK 2,177 (2,840) million relates to Sweden with indefinite periods of utilization. Due to the Company's strong current financial position and taxable income during 2013, the Company has been able to utilize part of its tax loss carry-forwards during the year. The assessment is that the Company will be able to generate sufficient income in the coming years to also utilize the remaining part of the recognized amounts.

Tax loss carry-forwards

Deferred tax assets regarding tax loss carry-forwards are reported to the extent that realization of the related tax benefit through future taxable profits is probable also when considering the period during which these can be utilized, as described below.

As of December 31, 2013, the recognized tax loss carry-forwards amounted to SEK 14,093 (17,081) million. The tax value of these tax loss carry-forwards is reported as an asset.

The final years in which the recognized loss carry-forwards can be utilized are shown in the following table.

Tax loss carry-forwards: year of expiration

Year of expiration	Tax loss carry-forwards	Tax value
2014	62	23
2015	-	-
2016	10	3
2017	5	1
2018	131	27
2019 or later	13,885	3,524
Total	14,093	3,578

In addition to the table above there are loss carry-forwards of SEK 3,518 (4,737) million at a tax value of SEK 1,019 (1,432) million that have not been recognized due to judgments of the possibility they will be used against future taxable profits in the respective jurisdictions. The majority of these loss carry-forwards have an expiration date in excess of five years.

C9 EARNINGS PER SHARE

Earnings per share 2011–2013

	2013	2012	2011
Basic			
Net income attributable to stockholders of the Parent Company (SEK million)	12,005	5,775	12,194
Average number of shares outstanding, basic (millions)	3,226	3,216	3,206
Earnings per share, basic (SEK)			
	3.72	1.80	3.80
Diluted			
Net income attributable to stockholders of the Parent Company (SEK million)	12,005	5,775	12,194
Average number of shares outstanding, basic (millions)	3,226	3,216	3,206
Dilutive effect for stock purchase plans	31	31	27
Average number of shares outstanding, diluted (millions)	3,257	3,247	3,233
Earnings per share, diluted (SEK)			
	3.69	1.78	3.77

C10 INTANGIBLE ASSETS

Intangible assets 2013

	Capitalized development expenses			Goodwill	Intellectual property rights (IPR), trademarks and other intangible assets		
	For internal use				Trademarks, customer relationships and similar rights	Patents and acquired R&D	Total
	To be marketed	Acquired costs	Internal costs	Total	Total		
Cost							
Opening balance	9,766	2,213	1,478	13,457	30,422	18,595	27,416
Acquisitions/capitalization	915	–	–	915	–	587	60
Balances regarding acquired/divested businesses ¹⁾	–	–	–	–	1,646	200	1,351
Sales/disposals	–	–	–	–	–302	–113	–
Reclassification	–	–	–	–	–	–	–
Translation difference	–	–	–	–	–204	20	–50
Closing balance	10,681	2,213	1,478	14,372	31,562	19,289	28,777
Accumulated amortization							
Opening balance	–4,027	–2,106	–1,405	–7,538	–	–7,277	–18,201
Amortization	–1,322	–51	–34	–1,407	–	–2,322	–2,199
Sales/disposals	–	–	–	–	–	92	–
Translation difference	–	–	–	–	–	–36	23
Closing balance	–5,349	–2,157	–1,439	–8,945	–	–9,543	–20,377
Accumulated impairment losses							
Opening balance	–1,987	–55	–37	–2,079	–18	–	–5,331
Impairment losses	–	–	–	–	–	–	–
Closing balance	–1,987	–55	–37	–2,079	–18	–	–5,331
Net carrying value	3,345	1	2	3,348	31,544	9,746	3,069
¹⁾ For more information on acquired/divested businesses, see Note C26, "Business combinations".							

Intangible assets 2012

	Capitalized development expenses			Goodwill	Intellectual property rights (IPR), trademarks and other intangible assets		
	For internal use				Trademarks, customer relationships and similar rights	Patents and acquired R&D	Total
	To be marketed	Acquired costs	Internal costs	Total	Total		
Cost							
Opening balance	8,125	2,213	1,478	11,816	27,455	14,188	25,689
Acquisitions/capitalization	1,641	–	–	1,641	–	538	103
Balances regarding acquired businesses ¹⁾	–	–	–	–	4,293	4,517	2,155
Sales/disposals	–	–	–	–	–20	–158	–137
Reclassification	–	–	–	–	94	–	–94
Translation difference	–	–	–	–	–1,400	–490	–300
Closing balance	9,766	2,213	1,478	13,457	30,422	18,595	27,416
Accumulated amortization							
Opening balance	–3,187	–1,975	–1,318	–6,480	1	–5,502	–16,078
Amortization	–840	–131	–87	–1,058	–	–2,023	–2,413
Sales/disposals	–	–	–	–	–1	46	124
Translation difference	–	–	–	–	–	202	166
Closing balance	–4,027	–2,106	–1,405	–7,538	–	–7,277	–18,201
Accumulated impairment losses							
Opening balance	–1,721	–55	–37	–1,813	–18	–	–5,214
Impairment losses	–266	–	–	–266	–	–	–117
Closing balance	–1,987	–55	–37	–2,079	–18	–	–5,331
Net carrying value	3,752	52	36	3,840	30,404	11,318	3,884
¹⁾ For more information on acquired businesses, see Note C26, "Business combinations".							

¹⁾ For more information on acquired businesses, see Note C26, "Business combinations".

Goodwill is allocated to the operating segments Networks, at the sum of SEK 16.7 (16.2) billion, Global Services, at the sum of SEK 4.5 (4.2) billion and Support Solutions, at the sum of SEK 10.3 (10.0) billion.

The recoverable amounts for cash-generating units are established as the present value of expected future cash flows. Estimation of future cash flows includes assumptions mainly for the following key financial parameters:

- Sales growth
- Development of operating income (based on operating margin or cost of goods sold and operating expenses relative to sales)
- Development of working capital and capital expenditure requirements.

The assumptions regarding industry-specific market drivers and market growth are approved by Group management and each operating segment's management. These assumptions are based on industry sources as input to the projections made within the Company for the development 2013–2018 for key industry parameters:

- The number of global mobile subscriptions is estimated to grow from around 6.8 billion by the end of 2013 to around 9 billion by the end of 2018. Of these, around 7 billion will be mobile broadband subscriptions. Around 850 million of these mobile broadband subscriptions will use mobile PC/tablets/mobile routers, but the vast majority will still use mobile phones to access the internet.
- Fixed broadband subscriptions are estimated to grow from around 650 million by the end of 2013 to around 800 million in 2018. Fixed broadband includes Fiber, Cable and xDSL.
- Mobile data traffic volume is estimated to increase by around seven times in the period 2013–2018, while fixed internet traffic is estimated to increase around four times over the same timeframe, but from a much larger base.

The growth in network equipment is mainly driven by a shift in investments from voice to data. The end user requirements for "app-coverage" drives deployment of heterogeneous networks and small cells.

The demand for support solutions is driven by the opportunities for new types of service offerings enabled by IP technology and high-speed broadband. There is strong IPTV subscriber growth, plus rapid growth in digital viewing and on-demand services. As a consequence, service providers and network owners need solutions to make networks efficient for video delivery.

The development and build out of mobile broadband networks and increasing number of mobile broadband subscriptions drives growth in service introduction and traffic. This puts high demand on plan to provision, implementation and systems integration services as well as real time payment systems. The Business Support Systems' growth is driven by the introduction of new services, new business models and price plans.

The demand for professional services is also driven by an increasing business and technology complexity. Therefore, operators review their business models and look for vendor partners that can take on a broader responsibility, including the outsourcing of network operations.

The assumptions are also based upon information gathered in the Company's long-term strategy process, including assessments of new technology, the Company's competitive position and new types of business and customers, driven by the continued integration of telecom, data and media industries.

The impairment testing is based on specific estimates for the first five years and with a reduction of nominal annual growth rate to an average GDP growth of 3% (3%) per year thereafter. The impairment tests for goodwill did not result in any impairment.

An after-tax discount rate of 9,5% (8%) has been applied for all cash-generating units for the discounting of projected after-tax cash flows. In addition, when a higher discount rate has been applied in the impairment tests it has not resulted in any impairment. The assumptions for 2012 are disclosed in Note C10, "Intangible assets" in the Annual Report of 2012.

The Company's discounting is based on after-tax future cash flows and after-tax discount rates. This discounting is not materially different from a discounting based on before-tax future cash flows and before-tax discount rates, as required by IFRS.

In Note C1, "Significant accounting policies," and Note C2, "Critical accounting estimates and judgments," further disclosures are given regarding goodwill impairment testing.

C11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment 2013

	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in progress and advance payments	Total
Cost					
Opening balance	4,985	4,746	23,033	1,451	34,215
Additions	975	175	2,113	1,240	4,503
Balances regarding divested/acquired businesses	-29	-564	315	-19	-297
Sales/disposals	-185	-341	-1,677	-598	-2,801
Reclassifications	404	165	627	-1,196	-
Translation difference	-30	51	-351	-13	-343
Closing balance	6,120	4,232	24,060	865	35,277
Accumulated depreciation					
Opening balance	-2,355	-3,489	-16,623	-	-22,467
Depreciation	-479	-558	-3,190	-	-4,227
Balances regarding divested businesses	-	450	147	-	597
Sales/disposals	399	386	1,493	-	2,278
Reclassifications	-75	80	-5	-	-
Translation difference	18	-51	233	-	200
Closing balance	-2,492	-3,182	-17,945	-	-23,619
Accumulated impairment losses					
Opening balance	-45	-124	-86	-	-255
Impairment losses	-	-7	-	-	-7
Reversals of impairment losses	-	2	23	-	25
Sales/disposals	4	6	-	-	10
Reclassifications	-	1	-1	-	-
Translation difference	1	-1	2	-	2
Closing balance	-40	-123	-62	-	-225
Net carrying value	3,588	927	6,053	865	11,433

Contractual commitments for the acquisition of property, plant and equipment as per December 31, 2013, amounted to SEK 203 (184) million.

Property, plant and equipment 2012

	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in progress and advance payments	Total
Cost					
Opening balance	4,641	5,235	20,663	1,302	31,841
Additions	640	370	2,521	1,898	5,429
Balances regarding divested/acquired businesses	2	46	432	-	480
Sales/disposals	-476	-373	-1,296	-242	-2,387
Reclassifications	381	-380	1,458	-1,459	-
Translation difference	-203	-152	-745	-48	-1,148
Closing balance	4,985	4,746	23,033	1,451	34,215
Accumulated depreciation					
Opening balance	-2,165	-3,485	-15,094	-	-20,744
Depreciation	-354	-428	-3,270	-	-4,052
Balances regarding divested businesses	-	-	3	-	3
Sales/disposals	68	347	1,228	-	1,643
Reclassifications	7	-13	6	-	-
Translation difference	89	90	504	-	683
Closing balance	-2,355	-3,489	-16,623	-	-22,467
Accumulated impairment losses					
Opening balance	-43	-148	-118	-	-309
Impairment losses	-4	-8	-	-	-12
Reversals of impairment losses	-	22	30	-	52
Sales/disposals	-	6	-	-	6
Translation difference	2	4	2	-	8
Closing balance	-45	-124	-86	-	-255
Net carrying value	2,585	1,133	6,324	1,451	11,493

C12

FINANCIAL ASSETS, NON-CURRENT

Equity in joint ventures and associated companies

	Joint ventures 2013	Joint ventures 2012	Associated companies 2013	Associated companies 2012	Total 2013	Total 2012
Opening balance	–	4,663	2,842	1,302	2,842	5,965
Share in earnings	–	-8,399 ¹⁾	-130	3	-130	-8,396
Contributions to joint ventures and associated companies	–	5,029	-2	–	-2	5,029
Taxes	–	106	0	-11	0	95
OCI	–	-46	-14	42	-14	-4
Dividends	–	–	-128	-133	-128	-133
Divestments	–	-1,353	–	–	–	-1,353
Reclassification	–	–	–	1,639 ³⁾	–	1,639
Closing balance	–	–	2,568 ²⁾	2,842 ²⁾	2,568	2,842

¹⁾ Includes a write-down of ST-Ericsson investment and the Company's share in ST-Ericsson's operating loss.²⁾ Goodwill, net, amounts to SEK 10.6 (12.2) million.³⁾ Reclassification from Other investments in shares and participation.

All companies apply IFRS in the reporting to the Company as issued by IASB.

Ericsson's share of assets, liabilities and income in joint venture ST-Ericsson

	2013	2012	2011
Percentage in ownership interest	50%	50%	50%
Non-current assets	6	2,194	13,710
Current assets	1,435	2,012	3,028
Non-current liabilities	104	740	794
Current liabilities	1,204	2,678	9,390
Net assets (100%)	133	788	6,554
Company's share of net assets (50%)	67	394	3,277
Net sales	3,127	9,090	10,692
Income after financial items	-726	-5,006	-5,460
Income taxes	-64	-800	312
Net income and total comprehensive income (100%)	-790	-5,806	-5,148
Company's share of net income and other comprehensive income (50%)	-395 ¹⁾	-2,903	-2,574
Assets pledged as collateral	–	–	3
Contingent liabilities	–	–	–

¹⁾ Reported losses has not been recognized in the result for the Company, due to IFRS principles disclosed in Note C1, "Significant accounting policies."

The table above consists of amounts considered by the Company when applying the equity method in relation to ST-Ericsson.

The joint venture ST-Ericsson, equally owned by the Company and STMicroelectronics, is winding down and all business has been transferred to parents or divested during 2013. Since December 2012, there are no remaining investments related to ST-Ericsson recognized in the Company's balance sheet. The result in ST-Ericsson has therefore not been recognized due to losses in 2013 and previous periods, as per IFRS principles disclosed in C1 "Significant accounting policies." For more information, see Note C3, "Segment information."

Ericsson's share of assets, liabilities and income in associated company Rockstar Consortium

	2013	2012
Percentage in ownership interest	21.26%	21.26%
Total assets	6,429	7,342
Total liabilities	53	28
Net assets (100%)	6,376	7,314
Company's share of net assets (21.26%)	1,356	1,555
Net sales	–	–
Income after financial items	-897	-376
Net income and total comprehensive income (100%)	-897	-376
Company's share of net income and other comprehensive income (21.26%)	-191	-80

Rockstar is a patent licensing business based in North America that owns and manages a portfolio of more than 4,000 patents developed by technology pioneer Nortel Networks. This portfolio consists of patents covering a wide range of consumer and enterprise communications technologies currently in use or in development in markets worldwide.

Ericsson's share of assets, liabilities and income in joint venture Sony Ericsson Mobile Communications AB

	2013	2012	2011
Percentage in ownership interest	–	–	50%
Non-current assets	–	–	10,080
Current assets	–	–	17,490
Non-current liabilities	–	–	570
Current liabilities	–	–	24,344
Net assets (100%)	–	–	2,656
Company's share of net assets (50%)	–	–	1,328
Net sales	–	–	46,992
Income after financial items	–	–	-2,190
Income taxes	–	–	170
Net income and total comprehensive income (100%)	–	–	-2,020
Company's share of net income and other comprehensive income (50%)	–	–	-1,010
Assets pledged as collateral	–	–	1
Contingent liabilities	–	–	37

Other financial assets, non-current

	Other investments in shares and participations		Customer finance, non-current		Derivatives, non-current		Other financial assets, non-current	
	2013	2012	2013	2012	2013	2012	2013	2012
Cost								
Opening balance	1,758	3,576	1,538	1,661	825	816	4,414	4,633
Additions	85	45	3,070	5,249	–	–	1,215	313
Disposals/repayments/deductions	-20	-63	-3,070	-5,331	-30	–	-130	-136
Change in value in funded pension plans ¹⁾	–	–	–	–	–	–	951	776
Reclassifications	–	-1,639 ²⁾	–	–	–	–	–	-1,018 ³⁾
Revaluation	71	–	–	–	-182	9	–	–
Translation difference	11	-161	-54	-41	–	–	-63	-154
Closing balance	1,905	1,758	1,484	1,538	613	825	6,387	4,414
Accumulated impairment losses/ allowances								
Opening balance	-1,372	-1,377	-248	-261	–	–	-1,275	-1,332
Impairment losses/allowance	–	-51	9	-26	–	–	–	-14
Disposals/repayments/deductions	-14	–	47	35	–	–	-12	–
Reclassifications	–	–	–	–	–	–	–	26 ³⁾
Translation difference	-14	56	2	4	–	–	-29	45
Closing balance	-1,400	-1,372	-190	-248	–	–	-1,316	-1,275
Net carrying value	505	386	1,294	1,290	613	825	5,071	3,139

¹⁾ This amount includes asset ceiling. For further information, see Note C17, "Post-employment benefits."

²⁾ Reclassification to Equity in associated companies.

³⁾ Reclassification to Short-term investments.

C13 INVENTORIES

Inventories	2013	2012
Raw materials, components, consumables and manufacturing work in progress	5,747	7,351
Finished products and goods for resale	7,743	10,981
Contract work in progress	9,269	10,470
Inventories, net	22,759	28,802

Contract work in progress includes amounts related to delivery-type contracts and service contracts with ongoing work in progress.

Reported amounts are net of obsolescence allowances of SEK 2,496 (3,473) million.

Movements in obsolescence allowances

	2013	2012	2011
Opening balance	3,473	3,343	3,090
Additions, net	308	1,403	918
Utilization	-1,308	-1,140	-683
Translation difference	12	-133	18
Balances regarding acquired/ divested businesses	11	–	–
Closing balance	2,496	3,473	3,343

The amount of inventories recognized as expense and included in Cost of sales was SEK 56,781 (56,842) million.

C14 TRADE RECEIVABLES AND CUSTOMER FINANCE

Trade receivables and customer finance

	2013	2012
Trade receivables excluding associated companies and joint ventures	71,850	64,015
Allowances for impairment	-880	-655
Trade receivables, net	70,970	63,360
Trade receivables related to associated companies and joint ventures	43	300
Trade receivables, total	71,013	63,660
Customer finance credits	3,693	5,731
Allowances for impairment	-305	-422
Customer finance credits, net	3,388	5,309
Of which current	2,094	4,019
Credit commitments for customer finance	6,402	5,933

Days sales outstanding (DSO) were 97 (86) in December 2013.

Movements in allowances for impairment

	Trade receivables		Customer finance	
	2013	2012	2013	2012
Opening balance	655	567	422	426
Additions	417	229	38	101
Utilized	-127	-116	-13	-9
Reversal of excess amounts	-72	-30	-136	-112
Reclassification	42	21	-	-
Translation difference	-35	-16	-6	16
Closing balance	880	655	305	422

Aging analysis as per December 31

	Total	Of which neither impaired nor past due	Of which impaired, not past due	Of which past due in the following time intervals:		Of which past due and impaired in the following time intervals:	
		less than 90 days	90 days or more	less than 90 days	90 days or more	less than 90 days	90 days or more
2013							
Trade receivables, excluding associated companies and joint ventures	71,850	66,414	25	3,134	1,400	23	854
Allowances for impairment	-880	-	-11	-	-	-19	-850
Customer finance credits	3,693	2,851	98	60	459	149	76
Allowances for impairment	-305	-	-82	-	-	-139	-84
2012							
Trade receivables, excluding associated companies and joint ventures	64,015	57,526	25	2,459	1,431	779	1,795
Allowances for impairment	-655	-	-15	-	-	-70	-570
Customer finance credits	5,731	4,549	845	21	15	70	231
Allowances for impairment	-422	-	-146	-	-	-45	-231

Credit risk

Credit risk is divided into three categories: credit risk in trade receivables, customer finance risk and financial credit risk: see Note C20, "Financial risk management and financial instruments."

Credit risk in trade receivables

Credit risk in trade receivables is governed by a policy applicable to all legal entities in the Company. The purpose of the policy is to:

- Avoid credit losses through establishing internal standard credit approval routines in all the Company's legal entities
- Ensure monitoring and risk mitigation of defaulting accounts, i.e. events of non-payment and/or delayed payments from customers
- Ensure efficient credit management within the Company and thereby improve Days sales outstanding and Cash flow
- Ensure payment terms are commercially justifiable

- Define escalation path and approval process for payment terms and customer credit limits.

The credit worthiness of all customers is regularly assessed and a credit limit is set. Through credit management system functionality, credit checks are performed every time a sales order or an invoice is generated in the source system. These are based on the credit risk set on the customer. Credit blocks appear if the credit limit set on customer is exceeded or if past due receivables are higher than permitted levels. Release of a credit block requires authorization.

Letters of credits are used as a method for securing payments from customers operating in emerging markets, in particular in markets with unstable political and/or economic environments. By having banks confirming the letters of credit, the political and commercial credit risk exposures to the Company are mitigated.

Trade receivables amounted to SEK 71,850 (64,015) million as

of December 31, 2013. Provisions for expected losses are regularly assessed and amounted to SEK 880 (655) million as of December 31, 2013. The Company's nominal credit losses have, however, historically been low. The amounts of trade receivables closely follow the distribution of the Company's sales and do not include any major concentrations of credit risk by customer or by geography. The five largest customers represented 25% (27%) of the total trade receivables in 2013.

Customer finance credit risk

All major commitments to finance customers are made only after approval by the Finance Committee of the Board of Directors, according to the established credit approval process.

Prior to the approval of new facilities reported as customer finance, an internal credit risk assessment is conducted in order to assess the credit rating of each transaction (for political and commercial risk). The credit risk analysis is made by using an assessment tool, where the political risk rating is identical to the rating used by all Export credit agencies within the OECD. The commercial risk is assessed by analyzing a large number of parameters, which may affect the level of the future commercial credit risk exposure. The output from the assessment tool for the credit rating also includes an internal pricing of the risk. This is expressed as a risk margin per annum over funding cost. The reference pricing for political and commercial risk, on which the tool is based, is reviewed using information from Export credit agencies and prevailing pricing in the bank loan market for structured financed deals. The objective is that the internally set risk margin shall reflect the assessed risk and that the pricing is as close as possible to the current market pricing. A reassessment of the credit rating for each customer finance facility is made on a regular basis.

Risk provisions related to customer finance risk exposures are only made upon events which occur after the financing arrangement has become effective and which are expected to have a significant adverse impact on the borrower's ability and/or willingness to service the outstanding debt. These events can be political (normally outside the control of the borrower) or commercial, e.g. a borrower's deteriorated creditworthiness.

As of December 31, 2013, the Company's total outstanding exposure related to customer finance was SEK 3,693, (5,731) million. As of December 31, 2013, the Company also had unutilized customer finance commitments of SEK 6,402 (5,933) million. Customer finance is arranged for infrastructure projects in different geographic markets and for a large number of customers. As of December 31, 2013, there were a total of 73 (78) customer finance arrangements originated by or guaranteed by the Company. The five largest facilities represented 52% (57%) of the total credit exposure in 2013.

Total outstanding customer finance exposure per region as of December 31

Percent	2013	2012
North America	10	26
Latin America	3	4
Northern Europe & Central Asia	9	8
Western & Central Europe	1	1
Mediterranean	11	9
Middle East	22	17
Sub-Saharan Africa	26	19
India	5	9
North East Asia	9	7
South East Asia and Oceania	4	–
Total	100	100

The effect of risk provisions and reversals for customer finance affecting the income statement amounted to a net negative impact of SEK 55 million in 2013 compared to a negative impact of SEK 33 million in 2012. Credit losses amounted to SEK 13 (16) million in 2013.

Security arrangements for customer finance facilities normally include pledges of equipment, pledges of certain assets belonging to the borrower and pledges of shares in the operating company. If available, third-party risk coverage is, as a rule, arranged. "Third-party risk coverage" means that a financial payment guarantee covering the credit risk has been issued by a bank, an export credit agency or other financial institution. A credit risk transfer under a sub-participation arrangement with a bank can also be arranged. In this case the entire credit risk and the funding is taken care of by the bank for the part that they cover. A credit risk cover from a third party may also be issued by an insurance company. During 2013, the Company did not take possession of any collateral it holds as security or call on any other credit enhancement.

Information about guarantees related to customer finance is included in Note C24, "Contingent liabilities," and information about leasing is included in Note C27, "Leasing."

The table below summarizes the Company's outstanding customer finance as of December 31, 2013 and 2012.

Outstanding customer finance

	2013	2012
Total customer finance	3,693	5,731
Accrued interest	155	96
Less third-party risk coverage	-222	-187
Ericsson's risk exposure	3,626	5,640

Transfers of financial assets

Transfers where the Company has not derecognized the assets in their entirety

As per December 31, 2013 there existed certain customer financing assets that the Company had transferred to third parties where the Company did not derecognize the assets in their entirety. The total carrying amount of the original assets transferred was SEK 899 (471) million; the amount of the assets that the Company continues to recognize was SEK 210 (28) million; and the carrying amount of the associated liabilities was SEK 0 (0) million.

Transfers where the Company has continuing involvement

During 2012, the Company derecognized financial assets where it had continuing involvement. A repurchase of these assets would amount to SEK 0 (225) million. No assets or liabilities were recognized in relation to the continuing involvement.

C15 OTHER CURRENT RECEIVABLES

Other current receivables

	2013	2012
Prepaid expenses	2,766	2,623
Accrued revenues	2,846	2,305
Advance payments to suppliers	877	1,060
Derivatives with a positive value ¹⁾	1,532	3,068
Taxes	7,950	7,727
Other	1,970	3,282
Total	17,941	20,065

¹⁾ See also Note C20, "Financial risk management and financial instruments".

C16 EQUITY AND OTHER COMPREHENSIVE INCOME

Capital stock 2013

Capital stock at December 31, 2013, consisted of the following:

Capital stock

Parent Company	Number of shares	Capital stock (SEK million)
Class A shares	261,755,983	1,309
Class B shares	3,043,295,752	15,217
Total	3,305,051,735	16,526

The capital stock of the Parent Company is divided into two classes:

Class A shares (quota value SEK 5.00) and Class B shares (quota value SEK 5.00). Both classes have the same rights of participation in the net assets and earnings. Class A shares, however, are entitled to one vote per share while Class B shares are entitled to one tenth of one vote per share.

At December 31, 2013, the total number of treasury shares was 73,968,178 (84,798,095 in 2012 and 62,846,503 in 2011) Class B shares. Ericsson did not repurchase shares in 2013 in relation to the Stock Purchase Plan.

Reconciliation of number of shares

	Number of shares	Capital stock (SEK million)
Number of shares Jan 1, 2013	3,305,051,735	16,526
Number of shares Dec 31, 2013	3,305,051,735	16,526

For further information about the number of shares, see the chapter Share Information.

Dividend proposal

The Board of Directors will propose to the Annual General Meeting 2014 a dividend of SEK 3.00 per share (SEK 2.75 in 2013 and SEK 2.50 in 2012).

Additional paid in capital

This relates to payments made by owners and includes share premiums paid.

Retained earnings

Retained earnings, including net income for the year, comprise the earned profits of the Parent Company and its share of net income in subsidiaries, joint ventures and associated companies. Retained earnings also include:

Remeasurements related to post-employment benefits

Actuarial gains and losses resulting from experience-based events and changes in actuarial assumptions, fluctuations in the effect of the asset ceiling, and adjustments related to the Swedish special payroll taxes.

Revaluation of other investments in shares and participations

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets.

Cash flow hedges

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash-flow-hedging instruments related to hedged transactions that have not yet occurred.

Cumulative translation adjustments

The cumulative translation adjustments comprise all foreign currency differences arising from the translation of the financial statements of foreign operations and changes regarding revaluation of excess value in local currency as well as from the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

C17 POST-EMPLOYMENT BENEFITS

Ericsson sponsors a number of post-employment benefit plans throughout the Company, which are in line with market practice in each country. The year 2013 was characterized by the overall increase in discount rates and a positive development of plan assets. Consequently, the Company experienced a decrease in the net pension liability. During the year, the Swedish payroll tax was reclassified from Other liabilities to Pension liability, which contributed to an increased pension liability.

The comparison amounts for 2012 and 2011 have not been recalculated.

Swedish plans

Sweden has both defined benefit and defined contribution plans based on collective agreement between the parties in the Swedish labor market:

- > A defined benefit plan, known as ITP 2 (occupational pension for salaried employees in manufacturing industries and trade), complemented by a defined contribution plan, known as ITPK (supplementary retirement benefits). This is a final salary-based plan.
- > A defined contribution plan, known as ITP 1, for employees born in 1979 or later.
- > A defined contribution plan ITP 1 or alternative ITP, for employees earning more than 10 income base amount and who have opted out of the defined benefit plan ITP 2, where rules are set by the Company and approved by each employee selected to participate.

The Company has by far most of its Swedish pension liabilities under defined benefit plans which are funded to 73% (72%) through Ericsson Pensionsstiftelse (a Swedish Pension Foundation). The Pensionsstiftelse covers the liability up to the value of the defined benefit obligation based on Swedish GAAP calculations. There are no funding requirements for the Swedish plans. The disability- and survivors' pension part of the ITP-plan is secured through an insurance solution with the company Alecta, see section about Multi-employer plans.

The benefit payments are done from the Company since the liability is growing and the necessary surplus therefore is not yet reached. For the unfunded plans the Company meets the payment obligation when it falls due. The responsibility for governance of the plans and the plan assets lies with the Company and the Pensionsstiftelse. The Swedish Pensionsstiftelse is managed on the basis of a capital preservation strategy and the risk profile is set accordingly. Traditional asset-liability matching (ALM) studies are undertaken on a regular basis to allocate within different asset classes.

The plans are exposed to different risks, i.e. a sudden decrease in the bond yields, which would lead to an increase in the plan liability. A sudden instability in the financial market might also lead to a decrease in fair value of plan assets held by the Pensionsstiftelse, as the holdings of plan assets partly are exposed to equity markets; however, this may be partly offset by higher values in fixed income holdings. Swedish plans are linked to inflation and higher inflation will lead to a higher liability. For the time being, inflation is a low risk factor to the Swedish plans as actual rate of inflation has not reached the ceiling target set by the Central Bank of Sweden.

Multi-employer plans

As before, the Company has secured the disability and survivors' pension part of the ITP Plan through an insurance solution with the insurance company Alecta. Although this part of the plan is classified as a multi-employer defined benefit plan, it is not possible to get sufficient information to apply defined benefit accounting, as for most of the accrued pension benefits in Alecta, information is missing on

the allocation of earnings process between employers. Full vesting is instead registered on the last employer. Alecta is not able to calculate a breakdown of assets and provisions for each respective employer, and therefore, the disability and survivors' pension portion of the ITP Plan has been accounted for as a defined contribution plan.

Alecta has a collective funding ratio which acts as a buffer for its insurance commitments to protect against fluctuations in investment return and insurance risks. Alecta's target ratio is 140% and reflects the fair value of Alecta's plan assets as a percentage of plan commitments, then measured in accordance with Alecta's actuarial assumptions, which are different from those in IAS 19R. Alecta's collective funding ratio was 148% (129%) as of December 31, 2013. The Company's share of Alecta's saving premiums is 0.6%; the total share of active members in Alecta are 2.3%. The expected contribution to the plan is SEK 163 million for 2014.

Contingent liabilities / Assets pledged as collateral

Contingent liabilities include the Company's mutual responsibility as a credit insured company of PRI Pensionsgaranti in Sweden. This mutual responsibility can only be imposed in the instance that PRI Pensionsgaranti has consumed all of its assets, and it amounts to a maximum of 2% of the Company's pension liability in Sweden. During 2013 the Company has pledged a business mortgage of SEK 2 billion to PRI Pensionsgaranti.

US plans

The Company operates defined benefit pension plans in the US, which are a combination of final salary pension plans and contribution-based arrangements. The final salary pension plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Retirees generally do not receive inflationary increases once in payment.

The other type of plan is a contribution-based pension plan, which provides a benefit determined using a "cash balance" approach. The balance is credited monthly with interest credits and contribution credits, based on a combination of current year salary and length of service.

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where the Company meets the benefit payment obligation as it falls due. In the US, the Company's policy is at least to meet or exceed the funding requirements of federal regulations. The funded level in the US Pension Plan is above the point at which minimum funding would be required for fiscal year 2013.

Plan assets held in trusts are governed by local regulations and practice, as is the nature of the relationship between the Company and the trustees (or equivalent) and their composition. Responsibility for governance of the plans – including investment decisions and contribution schedules – lies with the Plan Administrative Committee (PAC). The PAC is composed of representatives from the Company. The Company's plans are exposed to various risks associated with pension plans, i.e. a sudden decrease in bond yields would lead to an increase in the present value of the defined benefit obligation. A sudden instability in the financial markets might also lead to a decrease in the fair value of plan assets held by the trust. Pension benefits in the US are not linked to inflation; however, higher inflation poses the risk of increased final salaries being used to determine benefits for active employees. There is also a risk that the duration of payments to retirees will exceed the life expectancy in mortality tables.

Other plans

The Company also sponsors plans in other countries. The main plans are in Brazil, Ireland and the United Kingdom. The plan in Brazil is a

pension plan wholly funded with a net surplus of assets. The plans in Ireland and the UK are final salary pension plans and are partly or wholly funded. The plans are managed by corporate trustees with directors appointed partly by the local company and partly by the plan members. The trustees are independent from the local company and subject to the specific country's pension laws.

Amount recognized in the Consolidated balance sheet

Amount recognized in the Consolidated balance sheet

	Sweden	US	Other	Total
2013				
Defined benefit obligation (DBO)	23,088	14,387	15,444	52,919
Fair value of plan assets	16,818	16,174	13,575	46,567
Deficit/surplus (+/-)	6,270	-1,787	1,869	6,352
Plans with net surplus, excluding asset ceiling ¹⁾	-	2,307	1,166	3,473
Provision for post-employment benefits ²⁾	6,270	520	3,035	9,825
2012				
Defined benefit obligation (DBO)	21,432	16,472	14,054	51,958
Fair value of plan assets	15,375	16,263	13,004	44,642
Deficit/surplus (+/-)	6,057	209	1,050	7,316
Unrecognized past service cost	-	-	-28	-28
Plans with net surplus, excluding asset ceiling ¹⁾	-	738	1,477	2,215
Provision for post-employment benefits ²⁾	6,057	947	2,499	9,503

¹⁾ Plans with a net surplus, i.e. where plan assets exceed DBO, are reported as Other financial assets, non-current: see Note C12, "Financial assets." The asset ceiling increased during the year by SEK 308 million from SEK 217 million in 2012 to SEK 525 million in 2013.

²⁾ Plans with net liabilities are reported in the balance sheet as Post-employment benefits, non-current.

Total pension cost recognized in the Consolidated income statement

The costs for post-employment benefits within the Company are distributed between defined contribution plans and defined benefit plans, with a trend toward defined contribution plans.

Pension costs for defined contribution plans and defined benefit plans

	Sweden	US	Other	Total
2013				
Pension cost for defined contribution plans	1,088	502	778	2,368
Pension cost for defined benefit plans	1,581	85	392	2,058
Total	2,669	587	1,170	4,426
Total pension cost expressed as a percentage of wages and salaries				9.1%
2012				
Pension cost for defined contribution plans	977	404	701	2,082
Pension cost for defined benefit plans	936	-454	198	680
Total	1,913	-50	899	2,762
Total pension cost expressed as a percentage of wages and salaries				5.7%
2011				
Pension cost for defined contribution plans	2,039	360	643	3,042
Pension cost for defined benefit plans	621	42	184	847
Total	2,660	402	827	3,889
Total pension cost expressed as a percentage of wages and salaries				8.9%

Change in the net defined benefit obligation

Change in the net defined benefit obligation

	Present value of obligation 2013 ³⁾	Fair value of plan assets 2013	Total 2013	Present value of obligation 2012	Fair value of plan assets 2012	Total 2012
Opening balance	51,958	-44,642	7,316	36,375	-28,019	8,356
Reclassification ¹⁾	1,799	-	1,799	-	-	-
Included in the income statement:						
Current service cost	1,351	-	1,351	1,280	-	1,280
Past service cost and gains and losses on settlements	363	-	363	-353	-	-353
Interest cost/ income (+/-)	2,046	-1,846	200	2,120	-2,357	-237
Taxes and administrative expenses	129	16	145	-	-	-
Other	-4	3	-1	-72	42	-30
	3,885	-1,827	2,058	2,975	-2,315	660
Remeasurements:						
Return on plan assets excluding amounts in interest expense/income	-	-550	-550	-	-1,634	-1,634
Actuarial gains/losses (+/-) arising from changes in demographic assumptions	46	-	46	-	-	-
Actuarial gains/losses (+/-) arising from changes in financial assumptions	-3,629	-	-3,629	2,104	-	2,104
Experience-based gains/losses (+/-)	611	-	611	363	-	363
	-2,972	-550	-3,522	2,467	-1,634	833
Translation difference	-115	190	75	-1,353	1,361	8
Contributions and payments from employer:						
Employers ²⁾	-554	-971	-1,525	-	-1,751	-1,751
Plan participants	55	-44	11	22	-22	0
Payments from plans:						
Benefit payments	-1,181	1,181	0	-1,478	1,311	-167
Settlements	-116	96	-20	372	-156	216
Business combinations and divestments ⁴⁾	160	-	160	12,578	-13,417	-839
Closing balance	52,919	-46,567	6,352	51,958	-44,642	7,316

¹⁾ The provision for the Swedish special payroll taxes which was previously included in Other current liabilities, has been re-classified as a pension liability in line with the implementation of the revised IAS 19R on January 1, 2013.

²⁾ The expected contribution to the plan is SEK 550 million during 2014.

³⁾ The weighted average duration of DBO is 17.9 years.

⁴⁾ Business combinations in 2013 are related to the acquisition of Modems. In 2012 business combinations are related to the acquisition of Telcordia.

Present value of the defined benefit obligation

	Sweden	US	Other	Total
2013				
DBO, closing balance	23,088	14,387	15,444	52,919
Of which partially or fully funded	22,598	13,867	13,396	49,861
Of which unfunded	490	520	2,048	3,058
2012				
DBO, closing balance	21,432	16,472	14,054	51,958
Of which partially or fully funded	20,916	15,895	12,064	48,875
Of which unfunded	516	577	1,990	3,083

Asset allocation by geography

	Sweden	US	Other	Total	Of which unquoted
2013					
Cash and cash equivalents	592	218	261	1,071	35%
Equity securities	2,112	2,081	4,459	8,652	31%
Debt securities	3,601	6,934	6,982	17,517	61%
Real estate	1,649	-	76	1,725	100%
Investment funds	8,864	6,512	414	15,790	60%
Assets held by insurance company	-	-	633	633	100%
Other	-	429	750	1,179	65%
Total	16,818	16,174	13,575	46,567	
<i>Of which real estate occupied by the Company</i>	-	-	-	-	
<i>Of which securities issued by the Company</i>	25	-	-	25	

Asset allocation by geography

	Sweden	US	Other	Total	Of which unquoted
2012					
Cash and cash equivalents	2,159	683	197	3,039	25%
Equity securities	1,371	5,107	2,865	9,343	15%
Debt securities	4,139	10,040	7,929	22,108	60%
Real estate	574	433	110	1,117	100%
Investment funds	7,132	—	849	7,981	55%
Assets held by insurance company	—	—	305	305	100%
Other	—	—	749	749	100%
Total	15,375	16,263	13,004	44,642	
<i>Of which real estate occupied by the Company</i>	—	—	—	—	
<i>Of which securities issued by the Company</i>	25	—	—	25	

Actuarial assumptions

Financial and demographic actuarial assumptions	Group ¹⁾
2013	
Financial assumptions	
Discount rate	4.5%
Demographic assumptions	
Life expectancy after age 65 in years, weighted average	22
2012	
Financial assumptions	
Discount rate	4.1%
Demographic assumptions	
Life expectancy after age 65 in years, weighted average	22

¹⁾ Weighted average for disclosure purposes only. Country-specific assumptions were used for each actuarial calculation.

Actuarial assumptions are assessed on a quarterly basis.

See also Notes C1 and C2.

Sweden

The defined benefit obligation has been calculated using a discount rate based on yields of covered bonds, which is higher than a discount rate based on yields of government bonds. The Swedish covered bonds are considered high-quality bonds, mainly AAA-rated, as they are secured with assets, and the market for covered bonds is considered deep and liquid, thereby meeting the revised IAS 19 requirements.

US

The defined benefit obligation has been calculated using a discount rate based on yields of high-quality corporate bonds, where "high-quality" has been defined as a rating of AA and above.

Actuarial gains and losses reported directly in Other comprehensive income

	2013	2012
Cumulative gain/loss (-/+) at beginning of year	8,696	7,911
Recognized gain/loss (-/+) during the year	-3,522	833
Translation difference	45	-48
Cumulative gain/loss (-/+) at end of year	5,219	8,696

Total remeasurements in Other comprehensive income related to post-employment benefits

	2013	2012
Actuarial gains and losses (+/-)	3,128	-833
The effect of asset ceiling	-308	266
Swedish special payroll taxes ¹⁾	394	116
Total	3,214	-451
Actuarial gains and losses for joint ventures and associated companies	—	50

¹⁾ Swedish payroll taxes are included in recognized gain/loss during the year in OCI.

Sensitivity analysis of significant actuarial assumptions

Impact on DBO, SEK billion	Group
2013	
Discount rate +0.5%	—5
Discount rate -0.5%	+5

C18 PROVISIONS

Provisions

	Warranty	Restructuring	Other	Total
2013				
Opening balance	1,595	1,218	5,825	8,638
Additions	924	2,439	1,336	4,699
Reversal of excess amounts	-588	-237	-736	-1,561
<i>Negative effect on Income Statement</i>				3,138
Cash out/utilization	-948	-2,089	-2,984	-6,021
Balances regarding divested/acquired businesses	-2	0	-10	-12
Reclassification	1	-3	-184	-186
Translation differences	-73	17	-139	-195
Closing balance	909	1,345	3,108	5,362
2012				
Opening balance	1,888	1,327	3,050	6,265
Additions	1,088	1,234	4,689	7,011
Reversal of excess amounts	-157	-150	-766	-1,073
<i>Negative effect on Income Statement</i>				5,938
Cash out/utilization	-1,188	-1,170	-1,117	-3,475
Balances regarding divested/acquired businesses	48	-	92	140
Reclassification	1	11	-34	-22
Translation differences	-85	-34	-89	-208
Closing balance	1,595	1,218	5,825	8,638

Provisions will fluctuate over time depending on business mix, market mix and technology shifts. Risk assessment in the ongoing business is performed monthly to identify the need for new additions and reversals. Management uses its best judgment to estimate provisions based on this assessment. In certain circumstances, provisions are no longer required due to outcomes being more favorable than anticipated, which affect the provisions balance as a reversal. In other cases the outcome can be negative, and if so, a charge is recorded in the income statement.

For 2013, new or additional provisions amounting to SEK 4.7 billion were made, and SEK 1.6 billion of provisions was reversed. The actual cash outlays for 2013 were SEK 6.0 billion compared with the estimated SEK 7 billion. The main part of the total cash out for 2013 was made up of other provisions of SEK 3.0 billion and restructuring provisions of SEK 2.1 billion. The expected total cash outlays in 2014 are approximately SEK 4.2 billion.

Of the total provisions, SEK 222 (211) million is classified as non-current. For more information, see Note C1, "Significant accounting policies" and Note C2, "Critical accounting estimates and judgments."

Warranty provisions

Warranty provisions are based on historic quality rates for established products as well as estimates regarding quality rates for new products and costs to remedy the various types of faults predicted. Provisions

amounting to SEK 0.9 billion were made and due to more favorable outcomes in certain cases reversals of SEK 0.6 billion were made. The actual cash outlays for 2013 were SEK 0.9 billion, in line with the expected SEK 1 billion. The cash outlays of warranty provisions during year 2014 are estimated to total approximately SEK 0.7 billion.

Restructuring provisions

In 2013 SEK 2.4 billion in provisions were made and SEK 0.2 billion were reversed due to a more favorable outcome than expected. The cash outlays were SEK 2.1 billion for the full year. Due to the fact that the major part of the cash outlays was related to additional provisions during 2013, it deviated from the estimated SEK 1 billion. The cash outlays for 2014 are estimated to total approximately SEK 1.1 billion.

Other provisions

Other provisions include provisions for probable contractual penalties, tax issues, litigations, supplier claims, and other. During 2013, new provisions amounting to SEK 1.3 billion were made and SEK 0.7 billion were reversed due to a more favorable outcome. The cash outlays were SEK 3.0 billion in 2013 compared to the estimate of SEK 5.4 billion. The majority of this stemmed from the utilization of the 2012 ST-Ericsson provision. For 2014, the cash outlays are estimated to total approximately SEK 2.4 billion.

C19 INTEREST-BEARING LIABILITIES

As of December 31, 2013, the Company's outstanding interest-bearing liabilities stood at SEK 29.5 (28.7) billion.

Interest-bearing liabilities

	2013	2012
Borrowings, current		
Current part of non-current borrowings ¹⁾	6,037	3,018
Other current borrowings	1,351	1,751
Total current borrowings	7,388	4,769
Borrowings, non-current		
Notes and bond loans	14,522	16,519
Other borrowings, non-current	7,545	7,379
Total non-current interest-bearing liabilities	22,067	23,898
Total interest-bearing liabilities	29,455	28,667

¹⁾ Including notes and bond loans of SEK 1,966 (2,671) million.

All outstanding notes and bond loans are issued by the Parent Company under its Euro Medium-Term Note (EMTN) program or under its SEC registered program. Bonds issued at a fixed interest rate are

normally swapped to a floating interest rate using interest rate swaps leaving a maximum of 50% of outstanding loans at fixed interest rates. This arrangement resulted in a weighted average interest rate of 4.44% (4.69%). These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

In June 2013, the Company repaid the EUR 313 million bond.

In June the Company signed a new USD 2 billion multi-currency revolving credit facility and refinanced its credit facility signed in 2007. The new facility has a tenor of five years, with two extension options of one year each, and the facility serves for general corporate purposes.

In November 2013, the Company made a full drawdown of USD 684 million under the European Investment Bank (EIB) loan facility signed in October 2012. The loan supports the company's R&D activities to further develop the next generation radio and IP technology that supports mobile broadband build-out globally. The loan will mature in November 2020.

In January 2014, the Company repaid the SEK 4 billion EIB loan with original maturity July 2015.

Notes, bonds and bilateral loans

Issued-maturing	Nominal amount	Coupon	Currency	Book value (SEK m.)	Maturity date	Unrealized hedge gain/loss (included in book value)
Notes and bond loans						
2007–2014	220	0.594%	EUR	1,966	June 27, 2014 ¹⁾	
2007–2017	500	5.375%	EUR	5,056 ²⁾	June 27, 2017	-616
2009–2016 ³⁾	300		USD	1,939	June 23, 2016	
2010–2020 ⁴⁾	170		USD	1,112	December 23, 2020	
2012–2022	1,000	4.125%	USD	6,415	May 15, 2022	
Total notes and bond loans				16,488		-616
Bilateral loans						
2008–2015 ⁵⁾	4,000		SEK	4,000	July 15, 2015	
2012–2019 ⁶⁾	98		USD	632	September 30, 2019	
2012–2021 ⁶⁾	98		USD	634	September 30, 2021	
2013–2020 ⁷⁾	684		USD	4,420	November 6, 2020	
Total bilateral loans				9,686		

¹⁾ Next contractual repricing date March 27, 2014 (quarterly).

²⁾ Interest rate swaps are designated as fair value hedges.

³⁾ Private Placement, Swedish Export Credits Guarantee Board (EKN) / Swedish Export Credit Corporation (SEK).

⁴⁾ Private Placement, Swedish Export Credit Corporation (SEK).

⁵⁾ European Investment Bank (EIB), R&D project financing. Full prepayment January 15, 2014.

⁶⁾ Nordic Investment Bank (NIB), R&D project financing.

⁷⁾ European Investment Bank (EIB), R&D project financing.

C20 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial risk management is governed by a policy approved by the Board of Directors. The Finance Committee of the Board of Directors is responsible for overseeing the capital structure and financial management of the Company and approving certain matters (such as investments, customer finance commitments, guarantees and borrowing) and continuously monitors the exposure to financial risks.

The Company defines its managed capital as the total Company equity. For the Company, a robust financial position with a strong equity ratio, investment grade rating, low leverage and ample liquidity is deemed important. This provides financial flexibility and independence to operate and manage variations in working capital needs as well as to capitalize on business opportunities.

The Company's overall capital structure should support the financial targets: to grow faster than the market, deliver best-in-class margins and generate a healthy cash flow. The capital structure is managed by balancing equity, debt financing and liquidity in such a way that the Company can secure funding of operations at a reasonable cost of capital. Regular borrowings are complemented with committed credit facilities to give additional flexibility to manage unforeseen funding needs. The Company strives to finance growth, normal capital expenditures and dividends to shareholders by generating sufficient positive cash flows from operating activities.

The Company's capital objectives are:

- > To maintain an equity ratio above 40%
- > A cash conversion rate above 70%
- > To maintain a positive net cash position
- > To maintain a solid investment grade rating by Moody's and Standard & Poor's.

Capital objectives-related information, SEK billion

	2013	2012
Capital	142	138
Equity ratio	53%	50%
Cash conversion	79%	116%
Positive net cash	37.8	38.5
Credit rating		
Moody's	A3, negative	A3, stable
Standard & Poor's	BBB+, negative	BBB+, stable

The Company has a treasury function with the principal role to ensure that appropriate financing is in place through loans and committed credit facilities, actively managing the Company's liquidity as well as financial assets and liabilities, and managing and controlling financial risk exposures in a manner consistent with underlying business risks and financial policies. Hedging activities, cash management and insurance management are largely centralized to the treasury function in Stockholm.

The Company also has a customer finance function with the main objective to find suitable third-party financing solutions for customers and to minimize recourse to the Company. To the extent that customer loans are not provided directly by banks, the Parent Company provides or guarantees vendor credits. The customer finance function monitors the exposure from outstanding vendor credits and credit commitments.

The Company classifies financial risks as:

- > Foreign exchange risk
- > Interest rate risk
- > Credit risk
- > Liquidity and refinancing risk
- > Market price risk in own and other equity instruments.

The Board of Directors has established risk limits for defined exposures to foreign exchange and interest rate risks as well as to political risks in certain countries.

For further information about accounting policies, see Note C1, "Significant accounting policies".

Foreign exchange risk

The Company is a global company with sales mainly outside Sweden. Sales and incurred costs are to a large extent denominated in currencies other than SEK and therefore the financial results of the Company are impacted by currency fluctuations.

The Company reports the financial statements in SEK. Movements in exchange rates between currencies that affect these statements are impacting the comparability between periods.

Line items, primarily sales, are impacted by translation exposure incurred when converting foreign entities' financial statements into SEK. Line items and profitability, such as operating income are impacted by transaction exposure incurred when financial assets and liabilities, primarily, trade receivables and trade payables, are initially recognized and subsequently remeasured due to change in foreign exchange rates.

In the table below we present the net exposure for the four largest currencies impact on sales and also net transaction exposure of these currencies on profitability.

Currency exposure, SEK billion

Exposure currency	Sales translation exposure	Sales transaction exposure	Sales net exposure	Incurred cost transaction exposure ¹⁾	Net transaction exposure
USD	58.2	37.8	96.0	-15.4	22.4
EUR	30.4	11.3	41.7	-6.9	4.4
JPY	11.8	0.0	11.8	5.7	5.7
CNY	11.8	-0.2	11.6	-7.2	-7.4

¹⁾ Transactions in foreign currency - internal sales, internal purchases, external purchases.

Translation exposure

Translation exposure relates to sales and cost incurred in foreign entities when converted into SEK upon consolidation. These exposures cannot be addressed by hedging, but as the income statement is translated using average rate (average rate gives a good approximation), the impact of volatility in foreign currency rates is reduced.

Transaction exposure

Transaction exposure relates to sales and cost incurred in non-reporting currencies in individual group companies. Foreign exchange risk is as far as possible concentrated in Swedish group companies, primarily Ericsson AB. Sales to foreign subsidiaries are normally denominated in the functional currency of the customers, and so tend to be denominated in USD or another foreign currency. In order to limit the exposure toward exchange rate fluctuations on future revenues and costs, committed and forecasted future sales and purchases in major currencies are hedged with 7% of 12-month forecast monthly. This corresponds to approximately 5–6 months of an average forecast.

As disclosed under note C1 Significant Accounting Policies, the Company has as per January 1, 2013, discontinued hedge accounting for new derivatives hedging forecasted sales and costs incurred as from this date. This means that outstanding derivatives contracts, with transaction date January 1, 2013 or later that are hedging future sales and costs incurred are revalued against "Other operating income and expense". The sensitivity in "Other operating income and expense" in relation to this revaluation is dependent on changes in foreign exchange rates, forecasts, seasonality and hedging policy. USD is our largest exposure and at year-end a 5% change in FX-rates would impact profit and loss with approximately SEK 0.6 billion. Revaluation results of derivatives contracts, with transaction date January 1, 2013 or later amounted to SEK 0.5 billion in 2013. When hedge accounting was applied revaluation was recognized in OCI until the underlying transaction occurred and then a recycling was made to the related items of the income statements, as disclosed in C1.

According to Company policy, transaction exposure in subsidiaries' balance sheets (i.e. trade receivables and payables and customer finance receivables) should be fully hedged, except for non-tradable currencies.

Foreign exchange exposures in balance sheet items are hedged through offsetting balances or derivatives.

Translation exposure in net assets

The Company has many subsidiaries operating outside Sweden with functional currencies other than SEK. The results and net assets of such companies are exposed to exchange rate fluctuations, which affect the consolidated income statement and balance sheet when translated to SEK. Translation risk related to forecasted results from foreign operations cannot be hedged, but net assets can be addressed by hedging.

Translation exposure in foreign subsidiaries is hedged according to the following policy established by the Board of Directors:

Translation risk related to net assets in foreign subsidiaries is hedged up to 20% in selected companies. The translation differences reported in Other comprehensive income during 2013 were negative, SEK -1.7 (-3.9) billion, including hedging gain/loss of SEK 0.0 (0.0) billion.

Interest rate risk

The Company is exposed to interest rate risk through market value fluctuations in certain balance sheet items and through changes in interest revenues and expenses. The net cash position was SEK 37.8 (38.5) billion at the end of 2013, consisting of cash, cash equivalents and short-term investments of SEK 77.1 (76.7) billion and interest-bearing liabilities and post-employment benefits of SEK 39.3 (38.2) billion.

The Company manages the interest rate risk by i) matching fixed and floating interest rates in interest-bearing balance sheet items and ii) avoiding significant fixed interest rate exposure in the Company's net cash position. The policy is that interest-bearing assets shall have an average interest duration of between 10 and 14 months, taking derivative instruments into consideration. Interest-bearing liabilities do not have a firm target for the duration, nor a firm target for fixed/floating interest rate, as duration and interest mix are decided based on market conditions when the liabilities are issued. Group Treasury has a mandate to deviate from the asset management benchmark given by the Board and take foreign exchange positions up to an aggregated risk of VaR SEK 45 million given a confidence level of 99% and a 1-day horizon.

Interest duration, SEK billion

	< 3M	3-12M	1-3Y	3-5Y	>5Y	Total
Interest-bearing trading	-8.7	10.9	0.5	-2.4	-0.3	0.0
Interest-bearing assets	65.1	-0.3	7.8	2.1	2.4	77.1
Interest-bearing liabilities	-10.5	-6.8	0.0	-4.4	-7.8	-29.5

When managing the interest rate exposure, the Company uses derivative instruments, such as interest rate swaps. Derivative instruments used for converting fixed rate debt into floating rate debt are designated as fair value hedges.

Fair value hedges

The purpose of fair value hedges is to hedge the variability in the fair value of fixed-rate debt (issued bonds) from changes in the relevant benchmark yield curve for its entire term by converting fixed interest payments to a floating rate (e.g. STIBOR or LIBOR) by using interest rate swaps (IRS). The credit risk/spread is not hedged.

The fixed leg of the IRS is matched against the cash flows of the hedged bond. Hereby the fixed-rate bond/debt is converted into a floating-rate debt in accordance with the policy.

Outstanding derivatives ¹⁾

Fair value	Asset	Liability	Asset	Liability
Currency derivatives				
Maturity within 3 months	512	158	976	60
Maturity between 3 and 12 months	293	9	611	10
Maturity between 1 and 3 years	8	0	4	—
Total	813	167	1,591	70
<i>Of which designated in cash flow hedge relations</i>	—	—	816	6
<i>Of which designated in net investment hedge relations</i>	—	—	—	—
Interest rate derivatives				
Maturity within 3 months	—	—	—	—
Maturity between 3 and 12 months	186	269	487	285
Maturity between 1 and 3 years	382	688	565	681
Maturity between 3 and 5 years	663	163	1,212	739
Maturity of more than 5 years	101	36	38	—
Total	1,332 ²⁾	1,156	2,302 ²⁾	1,705
<i>Of which designated in fair value hedge relations</i>	724	—	969	—

¹⁾ Some of the derivatives hedging non-current liabilities are recognized in the balance sheet as non-current derivatives due to hedge accounting.

²⁾ Of which SEK 613 (825) million is reported as non-current assets.

Sensitivity analysis

The Company uses the VaR methodology to measure foreign exchange and interest rate risks in portfolios managed by the Treasury. This statistical method expresses the maximum potential loss that can arise with a certain degree of probability during a certain period of time. For the VaR measurement, the Company has chosen a probability level of 99% and a 1-day time horizon. The daily VaR measurement uses market volatilities and correlations based on historical daily data (one year).

The average VaR calculated for 2013 was SEK 16.3 (9.8) million for the combined mandates. No VaR-limits were exceeded during 2013.

Financial credit risk

Financial instruments carry an element of risk in that counterparties may

be unable to fulfill their payment obligations. This exposure arises in the investments in cash, cash equivalents, short-term investments and from derivative positions with positive unrealized results against banks and other counterparties.

The Company mitigates these risks by investing cash primarily in well-rated securities such as treasury bills, government bonds, commercial papers, and mortgage-covered bonds with short-term ratings of at least A-2/P-2 or equivalents, and long-term ratings of AAA. Separate credit limits are assigned to each counterpart in order to minimize risk concentration. All derivative transactions are covered by ISDA netting agreements to reduce the credit risk. No credit losses were incurred during 2013, SEK 0.0 (0.0) billion, neither on external investments nor on derivative positions.

At December 31, 2013, the credit risk in financial cash instruments was equal to the instruments' carrying value. Credit exposure in derivative instruments was SEK 2.1 (3.9) billion.

Liquidity risk

The Company minimizes the liquidity risk by maintaining a sufficient net cash position, centralized cash management, investments in highly liquid interest-bearing securities, and by having sufficient committed credit lines in place to meet potential funding needs. For information about contractual obligations, please see Note C31, "Contractual obligations." The current cash position is deemed to satisfy all short-term liquidity requirements as well as non-current borrowings.

Cash, cash equivalents and short-term investments

SEK billion	Remaining time to maturity				Total
	< 3 months	3-12 months	1-5 years	>5 years	
Banks	37.6	0.3	–	–	37.9
Type of issuer/counterpart					
Governments	0.5	4.1	14.6	3.7	22.9
Corporates	4.4	–	–	–	4.4
Mortgage institutes	–	–	11.9	–	11.9
2013	42.5	4.4	26.5	3.7	77.1
2012	47.1	4.8	24.0	0.8	76.7

The instruments are either classified as held for trading or as assets available-for-sale with maturity less than one year and are therefore short-term investments. Cash, cash equivalents and short-term investments are mainly held in SEK unless offset by EUR-funding.

Refinancing risk

Refinancing risk is the risk that the Company is unable to refinance outstanding debt under reasonable terms and conditions, or at all, at a given point in time.

Repayment schedule of non-current borrowings ¹⁾

Nominal amount (SEK billion)	Current maturities of long-term debt	Notes and bonds (non-current)	Liabilities to financial institutions (non-current)	Total
2014	6.0	–	–	6.0
2015	–	–	0.8	0.8
2016	–	2.0	0.0	2.0
2017	–	4.4	0.0	4.4
2018	–	–	–	–
2019	–	–	0.6	0.6
2020	–	1.1	4.4	5.5
2021	–	–	0.6	0.6
2022	–	6.4	–	6.4
Total	6.0	13.9	6.4	26.3

¹⁾ Excluding finance leases reported in Note C27, "Leasing."

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

Bank financing is used for certain subsidiary funding and to obtain committed credit facilities.

Funding programs ¹⁾

	Amount	Utilized	Unutilized
Euro Medium-Term Note program (USD million)	5,000	1,462	3,538
SEC Registered program (USD million)	–	1,000 ²⁾	–
Long-term Committed Credit facility (USD million)	2,000	–	2,000
Indian Commercial Paper program (INR million)	5,000	–	5,000

¹⁾ There are no financial covenants related to these programs.

²⁾ Program amount indeterminate.

In January 2013 Standard & Poor's changed the Company's credit rating outlook from BBB+ (stable) to BBB+ (negative) and Moody's changed the credit rating outlook from A3 (stable) to A3 (negative). Both credit ratings are considered to be solid investment grade.

Fair valuation of the Company's financial instruments

The Company's financial instruments generally meet the requirements of level 1 valuation due to the fact that they are based on quoted prices in active markets for identical assets.

Exceptions to this relates to:

- OTC derivatives with an amount of gross SEK 5.2 billion in relation to assets and gross SEK 4.4 billion in relation to liabilities were valued based on references to other market data as currency or interest rates. These valuations fall under level 2 valuation as defined by IFRS.
- Ownership in other companies where the Company neither has control nor significant influence. The amount recognized in these cases was SEK 0.5 (0.4) billion. These assets, classified as level 3 assets for valuation purposes, have been valued based on value in use technique.

Financial instruments carried at other than fair value

The fair value of the Company's financial instruments, recognized at fair value, is determined based on quoted market prices or rates. In the following tables, carrying amounts and fair values of financial instruments that are carried in the financial statements at sums other than fair values are presented. Assets valued at fair value through profit or loss showed a net gain of SEK 1.2 billion. For further information about valuation principles, see Note C1, "Significant accounting policies."

Financial instruments carried at other than fair value ¹⁾

SEK billion	Book value		Fair value	
	2013	2012	2013	2012
Current part of non-current borrowings	6.0	3.0	6.0	3.0
Notes and bond loans	14.5	16.5	14.7	17.0
Other borrowings non-current	7.5	7.4	7.6	7.6
Total	28.0	26.9	28.3	27.6

¹⁾ Excluding finance leases reported in Note C27, "Leasing."

Financial instruments excluded from the tables, such as trade receivables and payables, are carried at amortized cost which is deemed to be equal to fair value. When a market price is not readily available and there is insignificant interest rate exposure affecting the value, the carrying value is considered to represent a reasonable estimate of fair value.

Market price risk in own shares and other listed equity investments

Risk related to our own share price

The Company is exposed to fluctuations in its own share price through stock purchase plans for employees and synthetic share-based compensations to the Board of Directors.

Stock purchase plans for employees

The obligation to deliver shares under the stock purchase plan is covered by holding Ericsson Class B shares as treasury stock. A change in the share price will result in a change in social security charges, which represents a risk to the income statement. The cash flow exposure is fully hedged through the holding of Ericsson Class B shares as treasury stock to be sold to generate funds, which also cover social security payments.

Synthetic share-based compensations to the Board of Directors

In the case of these plans, the Company is exposed to risks in relation to own share price, both with regards to compensation expenses and

social security charges. The obligation to pay compensation amounts under the synthetic share-based compensations to the Board of Directors is covered by a liability in the balance sheet.

For further information about the stock purchase plan and synthetic share-based compensations to the Board of Directors, see note C28, "Information regarding members of the Board of Directors, the Group management and employees."

Offsetting financial assets and liabilities

As required by IFRS, the Company has offset financial instruments under ISDA agreements. The related assets amounted to SEK 5.2 billion, prior to offsetting of SEK 3.1, with a net amount of SEK 2.1 billion recognized in the balance sheet. The related liabilities amounted to SEK 4.4 billion, prior to offsetting of SEK 3.1, with a net amount of SEK 1.3 billion recognized in the balance sheet.

Financial instruments, book value

SEK billion	Customer finance	Trade receivables	Short-term investments	Cash equivalents	Borrowings	Trade payables	Other financial assets	Other current receivables	Other current liabilities	2013	2012
Note	C14	C14			C19	C22	C12	C15	C21		
Assets at fair value through profit or loss	–	–	35.0	11.1	–	–	0.6	1.5	–1.3	46.9	46.3
Loans and receivables	3.4	71.0	–	2.4	–	–	5.1	–	–	81.9	74.3
Financial liabilities at amortized cost	–	–	–	–	–29.5	–20.5	–	–	–	–50.0	–51.8
Total	3.4	71.0	35.0	13.5	–29.5	–20.5	5.7	1.5	–1.3	78.8	68.8

C21 OTHER CURRENT LIABILITIES

Other current liabilities

	2013	2012
Income tax liabilities	2,805	3,878
Advances from customers	5,471	4,754
Liabilities to associated companies and joint ventures	–	–
Accrued interest	208	259
Accrued expenses, of which	32,810	32,353
Employee-related	11,532	11,166
Supplier-related	11,478	11,440
Other ¹⁾	9,800	9,747
Deferred revenues	9,887	11,658
Derivatives with a negative value ²⁾	1,323	1,775
Other ³⁾	5,810	6,431
Total	58,314	61,108

¹⁾ Major balance relates to accrued expenses for customer projects.

²⁾ See Note C20, "Financial risk management and financial instruments."

³⁾ Includes items such as VAT and withholding tax payables and other payroll deductions, and liabilities for goods received where the related invoice has not yet been received.

C22 TRADE PAYABLES

Trade payables

	2013	2012
Payables to associated companies and joint ventures	333	81
Other	20,169	23,019
Total	20,502	23,100

C23 ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral

	2013	2012
Chattel mortgages ¹⁾	2,177	185
Bank deposits	379	335
Total	2,556	520

¹⁾ See also Note C17, "Post-Employment benefits".

C24 CONTINGENT LIABILITIES

Contingent liabilities

	2013	2012
Contingent liabilities	657	613
Total	657	613

Contingent liabilities assumed by Ericsson include guarantees of loans to other companies of SEK 23 (24) million. Ericsson has SEK 37 (59) million issued to guarantee the performance of a third party. All ongoing legal and tax proceedings have been evaluated, their potential economic outflows and probability estimated and necessary provisions made. In Note C2, "Critical Accounting Estimates and Judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Financial guarantees for third parties amounted to SEK 116 (286) million as of December 31, 2013. The maturity date for the majority of the issued guarantees occurs in 2014 at the latest.

C25 STATEMENT OF CASH FLOWS

Interest paid in 2013 was SEK 1,233 million (SEK 1,650 million in 2012 and SEK 1,422 million in 2011) and interest received in 2013 was SEK 1,266 million (SEK 1,883 million in 2012 and SEK 2,632 million in 2011). Taxes paid, including withholding tax, were SEK 6,537 million in 2013 (SEK 5,750 million in 2012 and SEK 4,393 million in 2011).

Cash and cash equivalents includes cash of SEK 28,618 (30,358) million and temporary investments of SEK 13,477 (14,324) million. For more information regarding the disposition of cash and cash equivalents and unutilized credit commitments, see Note C20, "Financial risk management and financial instruments."

Cash and cash equivalents as of December 31, 2013, include SEK 4.9 billion (3.8) in countries where there exist significant cross-border conversion restrictions due to hard currency shortage or strict government controls.

This amount is therefore not considered available for general use by the Parent Company.

Adjustments to reconcile net income to cash

	2013	2012	2011
Property, plant and equipment			
Depreciation	4,227	4,052	3,499
Impairment losses/reversals of impairments	-18	-40	47
Total	4,209	4,012	3,546
Intangible assets			
<i>Amortization</i>			
Capitalized development expenses	1,407	1,058	995
Intellectual Property Rights, brands and other intangible assets	4,521	4,436	4,470
Total amortization	5,928	5,494	5,465
<i>Impairments</i>			
Capitalized development expenses	-	266	7
Intellectual Property Rights, brands and other intangible assets	-	117	18
Total	5,928	5,877	5,490
Total depreciation, amortization and impairment losses on property, plant and equipment and intangible assets	10,137	9,889	9,036
Taxes	-1,323	-1,140	1,994
Dividends from joint ventures/associated companies ¹⁾	128	133	177
Undistributed earnings in joint ventures/associated companies ¹⁾	130	11,636	3,533
Gains/losses on sales of investments and operations, intangible assets and PP&E, net ²⁾	976	-8,087	-159
Other non-cash items ³⁾	-220	646	-1,968
Total adjustments to reconcile net income to cash	9,828	13,077	12,613

¹⁾ See Note C12, "Financial assets, non-current."

²⁾ See Note C26, "Business combinations."

³⁾ Refers mainly to unrealized foreign exchange, gains/losses on financial instruments.

Acquisitions/divestments of subsidiaries and other operations

	Acquisitions	Divestments
2013		
Cash flow from business combinations ¹⁾	-3,054	448
Acquisitions/divestments of other investments	-93	17
Total	-3,147	465
2012		
Cash flow from business combinations ¹⁾	-11,575	9,502
Acquisitions/divestments of other investments	46	-50
Total	-11,529	9,452
2011		
Cash flow from business combinations ¹⁾	-1,232	-28
Acquisitions/divestments of other investments	-1,949	81
Total	-3,181	53

¹⁾ Also see Note C26, "Business combinations."

C26 BUSINESS COMBINATIONS

Acquisitions and divestments

Acquisitions

Acquisitions 2011–2013

	2013	2012	2011
Total consideration, including cash	3,176	12,564 ¹⁾	1,162
Acquisition-related costs ²⁾	101	150	77
Net assets acquired			
Cash and cash equivalents	223	1,139	7
Property, plant and equipment	597	480	259
Intangible assets	1,551	6,672	382
Investments in joint ventures and associated companies	–	–	120
Other assets	850	2,105	140
Provisions, including post-employment benefits	–463	714	–23
Other liabilities	–1,705	–3,214	–37
Total identifiable net assets	1,053	7,896	848
Operating expenses	410	–	–
Non-controlling interest	67	375	54
Goodwill	1,646	4,293	260
Total	3,176	12,564	1,162

¹⁾ The cash transaction includes payment of external loan of SEK 6.2 billion and investment in subsidiary of SEK 2.5 billion.

²⁾ Acquisition-related costs are included in Selling and administrative expenses in the consolidated income statement.

In 2013, Ericsson made acquisitions with a negative cash flow effect amounting to SEK 3,054 (11,575) million. These acquisitions consist primarily of:

- **Airvana:** On September 5, 2013, the Company acquired 100% of the shares in Airvana Network Solutions Inc. Airvana Network Solutions is a Massachusetts-based company and supplier of EVDO software to Ericsson. EVDO software enables data transmission in a CDMA wireless network and is an important part of the CDMA ecosystem. A one-time charge related to the acquisition impacted the operating expenses negatively by SEK –0.4 billion. Balances to facilitate the Purchase price allocation are preliminary.
- **Devoteam:** On April 30, 2013, the Company acquired Devoteam's Telecom & Media operations in France. The transaction was structured as a stock purchase, where 100% of the shares in a company holding Devoteam's Telecom & Media operations were acquired. Acquiring the activities of Devoteam adds unique expertise in complex, strategic and technical consulting engagements that will enable us to immediately enhance the value that we bring to our customers. Balances to facilitate the Purchase price allocation are final.
- **Mediaroom:** On September 5, 2013, the Company acquired the TV solution Mediaroom business from Microsoft in an asset deal. Mediaroom is the leading platform for video distribution deployed with the world's largest IPTV operators. This strategic acquisition positions Ericsson as an industry leader thanks to the skills and experiences of the talented people of Mediaroom combined with Ericsson's end-to-end service capabilities. Balances to facilitate the Purchase price allocation are preliminary.
- **Modems:** On August 5, 2013 Ericsson and STMicroelectronics announced the closing of the transaction for the split up of ST-Ericsson. This follows the announcement the companies made

on March 18, 2013 on the chosen strategic option for the future of the joint venture. Effective August 2, 2013 Ericsson has taken on the design, development and sales of the LTE multimode thin modem solutions, including 2G, 3G and 4G interoperability. In total, approximately 1,800 employees and contractors have joined Ericsson. Balances to facilitate the Purchase price allocation are preliminary.

- **Telcocell:** On September 2, 2013, the Company acquired assets from Telcocell, a Canadian consulting and systems integration company specializing in Business Support Systems (BSS). The acquisition complements Ericsson's consulting and systems integration offering to telecom and cable customers in North America, Western Europe and Latin America. Balances to facilitate the Purchase price allocation are preliminary.

In order to finalize a Purchase price allocation all relevant information needs to be gathered. Examples of such information include final consideration and final opening balances. Balances may remain preliminary for up to a year due to, for example, working capital adjustments, tax items or decisions from local authorities.

Divestments

Divestments 2011–2013

	2013	2012	2011
Proceeds	655	9,502	–39
Net assets disposed of			
Property, plant and equipment	297	–	1
Investments in joint ventures and associated companies	–	1,353	10
Other assets	1,326	296	38
Other liabilities	–127	–483	–224
	1,496	1,166	–175
Net gains/losses from divestments	–841	8,336	158
Less Cash and cash equivalents	–207	–	–11
Cash flow effect	448	9,502	–28

In 2013, the Company made divestments with a cash flow effect amounting to SEK 448 (9,502) million.

- **Power cables operation:** On May 3, 2013, Ericsson announced an agreement with the Danish company NKT Cables to divest its power cables operation. As a result of the agreement approximately 320 employees and consultants were transferred to NKT Cables. The transaction was closed on July 1, 2013 and resulted in a loss of SEK –0.1 billion.
- **Applied Communication Sciences (ACS):** On May 15, 2013, Ericsson completed the sale of ACS, the former research and engineering arm of Telcordia Technologies. It resulted in a loss of SEK –0.3 billion.
- **Ericsson's telecom cable business in Hudiksvall:** On December 1, 2013, Ericsson finalized the divestment of its telecom cable business in Hudiksvall, Sweden, to Hexatronic. The transaction resulted in a loss of SEK –0.5 billion. The divestment was made as a business transfer and the new company within the Hexatronic Group will be named Hexatronic Cables & Interconnect Systems AB. 85 former Ericsson employees were transferred to Hexatronic.

Acquisitions 2011–2013

Company	Description	Transaction date
Airvana	A Massachusetts-based company and supplier of EVDO software to Ericsson.	Sep, 2013
Mediaroom	The leading platform for video distribution deployed with the world's largest IPTV operators.	Sep, 2013
Telcocell	A consulting and systems integration company specializing in Business Support Systems (BSS).	Sep, 2013
Modems	Ericsson has taken on the design, development and sales of the LTE multimode thin modem solutions, including 2G, 3G and 4G interoperability.	Aug, 2013
Devoteam	A leader in Information and Communications Technology consulting with 5,000 employees in Europe, the Middle East and Africa.	Apr, 2013
ConceptWave	A Canadian OSS/BSS company. The purchase price was CAD 55 million.	Sep, 2012
Technicolor	A technology company in the media and entertainment sector. The purchase price was EUR 20 million.	Jul, 2012
BelAir	A telecom-grade Wi-Fi company based in Canada. The purchase price was USD 250 million.	Apr, 2012
Ericsson-LG	Increase of ownership from 50% plus one share, to 75%.	Mar, 2012
Telcordia	A US company developing software and services for OSS/BSS. The purchase price was USD 1.15 billion.	Jan, 2012
GDNT	An asset purchase agreement of certain assets. Enhances the Company's existing R&D, manufacturing and services capabilities in the China region. The purchase price was RMB 357 million.	May, 2011
Nortel Multiservice Switch business (MSS)	An asset purchase agreement to acquire certain assets of Nortel's MSS. The purchase price was USD 53 million.	Mar, 2011

Divestments 2011–2013

Company	Description	Transaction date
Telecom cable business	Divestment of the telecom cable business in Hudiksvall, Sweden, to Hexatronic. It resulted in a loss of SEK –0.5 billion.	Dec , 2013
Power cables operation	Divestment of the power cables operation to NKT Cables. The transaction resulted in a loss of SEK –0.1 billion.	Jul, 2013
Applied Communication Sciences	Sale of Applied Communication Sciences (ACS), the former research and engineering arm of Telcordia Technologies. This resulted in a loss of SEK –0.3 billion.	May, 2013
IPX	Sale of IPX to Gemalto, with a positive cash flow effect of SEK 260 million.	Sep, 2012
EDA 1500 GPON	Capital asset sale of EDA 1500 GPON portfolio with a positive cash flow effect of SEK 80 million.	Aug, 2012
Sony Ericsson	Sale of the Company's share in Sony Ericsson (50%) to Sony, with a positive cash flow effect of SEK 9.1 billion.	Feb, 2012

C27 LEASING

Leasing with the Company as lessee

Assets under finance leases, recorded as property, plant and equipment, consist of:

Finance leases	2013	2012
Cost		
Real estate	1,774	1,538
Machinery	3	3
	1,777	1,541
Accumulated depreciation		
Real estate	-610	-601
Machinery	-3	-3
	-613	-604
Accumulated impairment losses		
Real estate	-25	-35
	-25	-35
Net carrying value	1,139	902

As of December 31, 2013, future minimum lease payment obligations were distributed as follows:

Future minimum lease payment obligations	Finance leases	Operating leases
2014	109	2,089
2015	109	1,766
2016	109	1,425
2017	108	881
2018	101	626
2019 and later	720	2,406
Total	1,256	9,193
Future finance charges ¹⁾	-291	n/a
Present value of finance lease liabilities	965	9,193

¹⁾ Average effective interest rate on lease payables is 5.25%.

Expenses in 2013 for leasing of assets were SEK 2,517 (3,172) million, of which variable expenses comprised SEK 18 (20) million. The leasing contracts vary in length from 1 to 17 years.

The Company's lease agreements normally do not include any contingent rents. In the few cases they occur, they relate to charges for heating linked to the oil price index. Most of the leases of real estate contain terms of renewal, giving the Company the right to prolong the agreement in question for a predefined period of time. All of the finance leases of facilities contain purchase options. Only a very limited number of the Company's lease agreements contain restrictions on stockholders' equity or other means of finance. The major agreement contains a restriction stating that the Parent Company must maintain a stockholders' equity of at least SEK 25 billion.

Leases with the Company as lessor

Leasing income relates to subleasing of real estate as well as equipment provided to customers under leasing arrangements. These leasing contracts vary in length from 1 to 11 years.

At December 31, 2013, future minimum payment receivables were distributed as follows:

Future minimum payment receivables	Finance leases	Operating leases
2014	27	112
2015	24	90
2016	2	23
2017	2	6
2018	–	4
2019 and later	–	1
Total	55	236
Unearned financial income	n/a	n/a
Uncollectible lease payments	n/a	n/a
Net investments in financial leases	n/a	n/a

Leasing income in 2013 was SEK 165 (236) million.

INFORMATION REGARDING MEMBERS OF THE BOARD OF DIRECTORS, THE GROUP MANAGEMENT AND EMPLOYEES

Remuneration to the Board of Directors

Remuneration to members of the Board of Directors

SEK	Board fees	Number of synthetic shares/portion of Board fee	Value at grant date of synthetic shares allocated in 2013	Number of previously allocated synthetic shares outstanding	Net change in value of synthetic shares ¹⁾	Committee fees	Total fees paid in cash ²⁾	Total remuner-ation 2013
								(A+B+C)
Board member								
Leif Johansson	3,850,000	0/0%	–	–	–	400,000	4,250,000 ³⁾	4,250,000
Sverker Martin-Löf	900,000	0/0%	–	–	–	175,000	1,075,000 ⁴⁾	1,075,000
Jacob Wallenberg	900,000	2,804/25%	224,945	9,246	150,147	175,000	850,000	1,225,092
Roxanne S. Austin	900,000	2,804/25%	224,945	28,492	716,010	175,000	850,000	1,790,955
Sir Peter L. Bonfield	900,000	0/0%	–	10,660	259,051	250,000	1,150,000	1,409,051
Nora Denzel	900,000	0/0%	–	–	–	–	900,000	900,000
Börje Ekholm	900,000	8,414/75%	674,996	31,984	762,740	175,000	400,000	1,837,736
Alexander Izzosimov	900,000	2,804/25%	224,945	3,492	51,565	–	675,000 ⁵⁾	951,510
Ulf J. Johansson	900,000	0/0%	–	14,720	481,454	350,000	1,250,000 ⁶⁾	1,731,454
Kristin Skogen Lund	900,000	2,804/25%	224,945	–	-4,831	–	675,000	895,114
Hans Vestberg	–	–	–	–	–	–	–	–
Pär Östberg	900,000	0/0%	–	–	–	250,000	1,150,000	1,150,000
Employee Representatives								
Pehr Claesson	13,500	–	–	–	–	–	13,500	13,500
Kristina Davidsson	13,500	–	–	–	–	–	13,500	13,500
Karin Åberg	12,000	–	–	–	–	–	12,000	12,000
Rickard Fredriksson	13,500	–	–	–	–	–	13,500	13,500
Karin Lennartsson	13,500	–	–	–	–	–	13,500	13,500
Roger Svensson	13,500	–	–	–	–	–	13,500	13,500
Total	12,929,500	19,630	1,574,776	98,594	2,416,136	1,950,000	13,304,500	17,295,412 ⁷⁾
Total	12,929,500	19,630	1,574,776	117,312 ⁸⁾	3,071,949 ⁸⁾⁹⁾	1,950,000	13,304,500	17,951,225 ⁷⁾

¹⁾ The difference in value as of the time for payment, compared to December 31, 2012, for synthetic shares allocated in 2008 (for which payment was made in 2013).

The difference in value as of December 31, 2013, compared to December 31, 2012, for synthetic shares allocated in 2009, 2010, 2011 and 2012.

The difference in value as of December 31, 2013, compared to grant date for synthetic shares allocated in 2013.

The value of synthetic shares allocated in 2009, 2010, 2011 and 2012 includes respectively SEK 2,00, SEK 2,25, SEK 2,50 and SEK 2,75 per share in compensation for dividends resolved by the Annual General Meetings 2010, 2011, 2012 and 2013 and the value of the synthetic shares allocated in 2008 includes dividend compensation for dividends resolved in 2009, 2010, 2011 and 2012.

²⁾ Committee fee and cash portion of the Board fee.

³⁾ In addition, an amount corresponding to statutory social charges in respect of the part of the fee that has been invoiced through a company was paid, amounting to SEK 1,335,350.

⁴⁾ In addition, an amount corresponding to statutory social charges in respect of the part of the fee that has been invoiced through a company was paid, amounting to SEK 109,758.

⁵⁾ In addition, an amount corresponding to statutory social charges in respect of the part of the fee that has been invoiced through a company was paid, amounting to SEK 212,085.

⁶⁾ In addition, an amount corresponding to statutory social charges in respect of the part of the fee that has been invoiced through a company was paid, amounting to SEK 127,625.

⁷⁾ Excluding social security charges to the amount of SEK 4,746,168.

⁸⁾ Including synthetic shares previously allocated to the former Directors Nancy McKinstry and Michelangelo Volpi.

⁹⁾ Including synthetic shares previously allocated to the former Director Carl-Henric Svanberg, where the difference in value is the difference as of the time for payment, compared to December 31, 2012.

Comments to the table

- The Chairman of the Board was entitled to a Board fee of SEK 3,850,000 and a fee of SEK 200,000 for each Board Committee on which he served as Chairman.
- The other Directors elected by the Annual General Meeting were entitled to a fee of SEK 900,000 each. In addition, the Chairman of the Audit Committee was entitled to a fee of SEK 350,000 and the other non-employee members of the Audit Committee were entitled to a fee of SEK 250,000 each. The Chairmen of the Finance and Remuneration Committees were entitled to a fee of SEK 200,000 each and the other non-employee members of the Finance and the Remuneration Committees were entitled to a fee of SEK 175,000 each.
- Members of the Board, who are not employees of the Company, have not received any remuneration other than the fees and synthetic shares as above. None of the Directors have entered into a

service contract with the Parent Company or any of its subsidiaries, providing for termination benefits.

- Members and deputy members of the Board who are Ericsson employees received no remuneration or benefits other than their entitlements as employees and a fee to the employee representatives and their deputies of SEK 1,500 per attended Board meeting.
- Board members invoicing for the amount of the Board and Committee fee through a company may add to the invoice an amount corresponding to social charges. The social charges thus included in the invoiced amount are not higher than the general payroll tax that would otherwise have been paid by the Company. The entire amount, i.e. the cash portion of the Board fee and the Committee fee, including social charges, constitutes the invoiced Board fee.
- The Annual General Meeting 2013 resolved that non-employee Directors may choose to receive the Board fee (i.e. exclusive of

Committee fee) as follows: i) 25% of the Board fee in cash and 75% in the form of synthetic shares, with a value corresponding to 75% of the Board fee at the time of allocation, ii) 50% in cash and 50% in the form of synthetic shares, or iii) 75% in cash and 25% in the form of synthetic shares. Directors may also choose not to participate in the synthetic share program and receive 100% of the Board fee in cash. Committee fees are always paid in cash.

The number of synthetic shares allocated is based on a volume-weighted average of the market price of Ericsson Class B shares on the NASDAQ OMX Stockholm exchange during the five trading days immediately following the publication of Ericsson's interim report for the first quarter 2013: SEK 80.223. The number of synthetic shares is rounded down to the nearest whole number of shares.

The synthetic shares are vested during the Directors' term of office and the right to receive payment with regard to the allocated synthetic shares occurs after the publication of the Company's year-end financial statement during the fifth year following the Annual General Meeting which resolved on the synthetic share program, i.e. in 2018. The amount payable shall be determined based on the volume-weighted average price for shares of Class B during the five trading days immediately following the publication of the year-end financial statement.

Synthetic shares were allocated to members of the Board for the first time in 2008 and have been allocated annually since then on equal terms and conditions. Payment based on synthetic shares, under the main rule, occurred for the first time in 2013 with respect to the synthetic shares allocated in 2008. In 2013, advance payment was also made to the former Director Carl-Henric Svanberg with respect to his synthetic shares, all in accordance with the terms and conditions for the synthetic shares. The amounts paid in 2013 under the synthetic share programs were determined based on the volume-weighted average price for shares of Class B during the five trading days immediately following the publication of the year-end financial statements for 2012: SEK 77.05 and totalled SEK 3,562,958, excluding social security charges. The payments made do not constitute a cost for the Company in 2013. The Company's

costs for the synthetic shares have been disclosed each year and the net change in value of the synthetic shares for which payment was made in 2013, is disclosed in the table "Remuneration to members of the Board of Directors" on page 96.

The value of all outstanding synthetic shares fluctuates in line with the market value of Ericsson's Class B share and may differ from year to year compared to the original value on their respective grant dates. The change in value of the outstanding synthetic shares is established each year and affects the total recognized costs that year. As of December 31, 2013, the total outstanding number of synthetic shares under the programs is 136,942 and the total accounted debt is SEK 11,494,790 (including synthetic shares previously allocated to the former Directors Nancy McKinstry and Michelangelo Volpi). In accordance with the terms and conditions for the synthetic shares, the time for payment to the former Director Michelangelo Volpi has, on his request, been advanced, to occur after the publication of the year-end financial statements for 2013.

Remuneration to the Group management

The Company's costs for remuneration to the Group management are the costs recognized in the Income statement during the fiscal year. These costs are disclosed under "Remuneration costs" below.

Costs recognized during a fiscal year in the Income statement are not fully paid by the Company at the end of the fiscal year. The unpaid amounts that the Company has in relation to the Group management are disclosed under "Outstanding balances."

Remuneration costs

The total remuneration to the President and CEO and to other members of the Group management, consisting of the Executive Leadership Team (ELT), includes fixed salary, short-term and long-term variable compensation, pension and other benefits. These remuneration elements are based on the guidelines for remuneration to Group management as approved by the Annual General Meeting held in 2013: see the approved guidelines in section "Guidelines for remuneration to Group management 2013."

Remuneration costs for the President and CEO and other members of Executive Leadership Team (ELT)

SEK	The President and CEO 2013	The President and CEO 2012	Other members of ELT 2013	Other members of ELT 2012	Total 2013	Total 2012
Salary	13,177,080	12,573,233	90,320,536	76,973,215	103,497,616	89,546,448
Costs for annual variable remuneration earned in 2013 to be paid in 2014	3,256,151	3,972,247	22,880,144	21,877,700	26,136,295	25,849,947
Long-term variable compensation provision	8,184,603	6,439,873	9,066,127	6,472,215	17,250,731	12,912,088
Pension costs	6,847,596	6,491,713	22,971,876	22,865,674	29,819,473	29,357,387
Other benefits	68,704	123,612	5,370,876	4,431,160	5,439,579	4,554,772
Social charges and taxes	9,368,485	9,114,641	26,838,704	22,877,888	36,207,190	31,992,529
Total	40,902,620	38,715,319	177,448,263	155,497,852	218,350,883	194,213,171

Comments to the table

- During 2013 there were three Executive Vice Presidents, who have been appointed by the Board of Directors. None of them has acted as deputy to the President and CEO during the year. The Executive Vice Presidents are included in the group "Other members of ELT."
- The group "Other members of ELT" comprises the following persons: Per Borgklint, Bina Chaurasia, Ulf Ewaldsson, Jan Frykhammar, Douglas L. Gilstrap, Nina Macpherson, Magnus Mandersson, Helena Normann, Mats H. Olsson, Rima Qureshi, Angel Ruiz, Anders Thulin (from October 1), Johan Wibergh and Jan Wäreby.
- The salary stated in the table for the President and CEO and other members of the ELT includes vacation pay paid during 2013 as well as other contracted compensation expensed in 2013.

- "Long-term variable compensation provision" refers to the compensation costs during 2013 for all outstanding share-based plans.
- For a description of compensation cost, including accounting treatment, see Note C1, "Significant accounting policies," section Share-based compensation to employees and the Board of Directors.
- For the President and CEO and other members of the ELT employed in Sweden before 2011, a supplementary plan is applied in addition to the occupational pension plan for salaried staff on the Swedish labor market (ITP) with pension payable from the age of 60 years. These pension plans are not conditional upon future employment at Ericsson.

Outstanding balances

The Company has recognized the following liabilities relating to unpaid remunerations in the Balance sheet:

- Ericsson's commitments for defined benefit based pensions as of December 31, 2013 under IAS 19 amounted to SEK 5,232,263 for the President and CEO which includes ITP plan and temporary disability and survivor's pension. For other members of the ELT the Company's commitments amounted to SEK 26,593,686 of which SEK 19,250,106 refers to the ITP plan and the remaining SEK 7,343,579 to temporary disability and survivor's pensions.
- For previous Presidents and CEOs, the Company has made provisions for defined benefit pension plans in connection with their active service periods within the Company.
- Deferred salary, earned in 2013 or earlier, to be paid 12 months after period end or later, amounts to SEK 17,476,898.

Maximum outstanding matching rights

As of December 31, 2013	The President and CEO	Other members of the ELT
Number of Class B shares		
Stock Purchase Plans 2010, 2011, 2012 and 2013 and Executive Performance Stock Plans 2010, 2011, 2012 and 2013	482,927	566,509

Comments to the table

- For the definition of matching rights, see the description in section "Long-term variable compensation".
- Matching result of 100% is included for the 2010 plan.
- Cash conversion target for 2012 and 2013 was reached, but not reached in 2011.
- During 2013, the President and CEO received 88,002 matching shares and other members of the ELT 149,646 matching shares.

Guidelines for remuneration to Group management 2013

For Group Management consisting of the Executive Leadership Team, including the President and CEO, total remuneration consists of fixed salary, short- and long-term variable compensation, pension and other benefits.

The following guidelines apply for the remuneration to the Executive Leadership Team:

- Variable remuneration is through cash and stock-based programs awarded against specific business targets derived from the long-term business plan approved by the Board of Directors. Targets may include financial targets at either Group or unit level, operational targets, employee engagement targets and customer satisfaction targets.
- All benefits, including pension benefits, follow the competitive practice in the home country taking total compensation into account. The retirement age is normally 60 to 65 years of age.
- By way of exception, additional arrangements can be made when deemed necessary. An additional arrangement can be renewed but each such arrangement shall be limited in time and shall not exceed a period of 36 months and twice the remuneration that the individual would have received had no additional arrangement been made.
- The mutual notice period may be no more than six months. Upon termination of employment by the Company, severance pay amounting to a maximum of 18 months' fixed salary is paid. Notice of termination given by the employee due to significant structural changes, or other events that in a determining manner affect the content of work or the conditions for the position, is equated with notice of termination served by the Company.

Long-Term Variable compensation

The Stock Purchase Plan

The Stock Purchase Plan is designed to offer an incentive for all employees to participate in the Company where practicable, which is consistent with industry practice and with our ways of working. For the 2013 plan, employees are able to save up to 7.5% of their gross fixed salary (President and CEO can save up to 10% of their gross fixed salary and short-term variable remuneration) for purchase of Class B contribution shares at market price on NASDAQ OMX Stockholm or American Depository Shares (ADSs) on NASDAQ New York (contribution shares) during a 12-month period (contribution period). If the contribution shares are retained by the employee for three years after the investment and their employment with the Ericsson Group continues during that time, the employee's shares will be matched with a corresponding number of Class B shares or ADSs free of consideration. Employees in 100 countries participate in the plans.

The table below shows the contribution periods and participation details for ongoing plans as of December 31, 2013.

Stock purchase plans

Plan	Contribution period	Number of participants at launch	Take-up rate – percent of eligible employees
Stock Purchase plan 2010	August 2010 – July 2011	22,000	27%
Stock Purchase plan 2011	August 2011 – July 2012	24,000	30%
Stock Purchase plan 2012	August 2012 – July 2013	27,000	28%
Stock Purchase plan 2013	August 2013 – July 2014	29,000	29%

Participants save each month, beginning with the August payroll, towards quarterly investments. These investments (in November, February, May and August) are matched on the third anniversary of each such investment, subject to continued employment, and hence the matching spans over two financial years and two tax years.

The Key Contributor Retention Plan

The Key Contributor Retention Plan is part of Ericsson's talent management strategy and is designed to give recognition for performance, critical skills and potential as well as to encourage retention of key employees. Under the program, up to 10% of employees (2013 plan: up to 9,300 employees) are selected through a nomination process that identifies individuals according to performance, critical skills and potential. Participants selected obtain one extra matching share in addition to the ordinary one matching share for each contribution share purchased under the Stock Purchase Plan during a 12-month period.

Executive Performance Stock Plans

	Executive Performance Stock Plan			
	2013 ¹⁾	2012	2011	2010
Base year EPS ²⁾			1.14	
Target average annual EPS growth range ³⁾	5% to 15%			
Matching share vesting range ⁴⁾	0.67 to 4 1 to 6 1.5 to 9	0.67 to 4 1 to 6 1.5 to 9	0.67 to 4 1 to 6 1.5 to 9	0.67 to 4 1 to 6 1.5 to 9
Maximum opportunity as percentage of fixed salary ⁵⁾	30% 45% 162%	30% 45% 162%	30% 45% 162%	30% 45% 162%

¹⁾ Targets for Executive Performance Stock Plans 2011 to 2013 are described in the next table.

²⁾ For 2010 plan the sum of four quarters up to December 31, 2010.

³⁾ EPS range determined by average EPS of the 12 quarters to the end of the performance period and corresponding growth targets.

⁴⁾ Corresponding to EPS range (no Performance Share Plan matching below this range). Matching shares per contribution share invested in addition to Stock Purchase Plan matching according to program of up to 4, 6 or 9 matching shares.

⁵⁾ At full investment, full vesting and constant share price. Excludes Stock Purchase Plan matching.

Executive Performance Stock Plan targets

	Base year value SEK billion	Year 1	Year 2	Year 3
2013				
Growth (Net sales growth)	227.8	Compound annual growth rate of 2 – 8%		
Margin (Operating income growth) ¹⁾	18.5	Compound annual growth of 5–15%		
Cash Flow (Cash conversion)	-	≥70%	≥70%	≥70%
2012				
Growth (Net sales growth)	226.9	Compound annual growth rate of 2 – 8%		
Margin (Operating income growth)	17.9	Compound annual growth of 5–15%		
Cash Flow (Cash conversion)	-	≥70%	≥70%	≥70%

¹⁾ Base year 2012 excludes a non-cash charge for ST-Ericsson

Executive Performance Stock Plan targets

	Base year value SEK billion	Year 1	Year 2	Year 3
2011				
Growth (Net sales growth)	203.3	Compound annual growth rate of 4 – 10%		
Margin (Operating income growth) ²⁾	23.7	Compound annual growth of 5–15%		
Cash Flow (Cash conversion)	-	≥70%	≥70%	≥70%

²⁾ Base year 2010 excludes restructuring charges

The Executive Performance Stock Plan

The Executive Performance Stock Plan is designed to focus management on driving earnings and provide competitive remuneration. Senior managers, including ELT, are selected to obtain up to four or six extra shares (performance matching shares) in addition to the ordinary one matching share for each contribution share purchased under the Stock Purchase Plan. Up to 0.5% of employees (2013 plan: up to 400 executives) are offered participation in the plan. The President and CEO can save up to 10% of gross fixed salary and short-term variable compensation, and may obtain up to nine performance-matching shares in addition to the Stock Purchase Plan matching share for each contribution share.

The performance matching for the 2010 plan is subject to the fulfillment of a performance target of average annual Earnings per Share (EPS) growth. The performance targets changed from EPS targets to targets linked to the business strategy as from 2011.

The tables above show all Executive Performance Stock Plans as of December 31, 2013.

Shares for all plans

Plan (million shares)	Stock Purchase Plan, Key Contributor Retention Plan and Executive Performance Stock Plans					
	2013	2012	2011	2010	2009	Total
Originally designated	A	26.6	26.2	19.4	19.4	22.4 114.0
Outstanding beginning of 2013	B	0.0	4.4	13.5	9.2	6.0 33.1
Awarded during 2013	C	3.2	9.0	0.0	0.0	0.0 12.2
Exercised/matched during 2013	D	0.0	0.4	0.5	2.8	5.9 9.6
Forfeited/expired during 2013	E	0.0	0.5	0.6	0.4	0.1 1.6
Outstanding end of 2013 ¹⁾	F=B+C-D-E	3.2	12.5	12.4	6.0	0.0 34.1
Compensation costs charged during 2013 (SEK million)	G	6 ²⁾	108 ²⁾	124 ²⁾	124 ²⁾	26 ²⁾ 388 ³⁾

¹⁾ Shares under the Executive Performance Stock Plans were based on the fact that the 2009 plan lapsed and that the 2010 plan was fully vested. For the other ongoing plans, full vesting is estimated.

²⁾ Fair value is calculated as the share price on the investment date, reduced by the net present value of the dividend expectations during the three-year vesting period. Net present value calculations are based on data from external party. Fair value is also adjusted for participants failing to keep hold of their contribution shares during the vesting period. For shares under the Executive Performance Stock Plans, the company makes a forecast for the fulfillment of the financial targets for all ongoing plans except for 2009 and 2010 plans as disclosed under 1) when calculating the compensation cost. Fair value of the Class B share at each investment date during 2013 was: February 15 SEK 70.50, May 15 SEK 74.42, August 15 SEK 70.99 and November 15 SEK 73.93.

³⁾ Total compensation costs charged during 2012: SEK 405 million, 2011: SEK 413 million.

Shares for all plans

All plans are funded with treasury stock and are equity settled. Treasury stock for all plans has been issued in directed cash issues of Class C shares at the quotient value and purchased under a public offering at the subscription price plus a premium corresponding to the subscribers' financing costs, and then converted to Class B shares.

For all plans, additional shares have been allocated for

financing of social security expenses. Treasury stock is sold on the NASDAQ OMX Stockholm to cover social security payments when arising due to matching of shares. During 2013, 1,121,900 shares were sold at an average price of SEK 80.19. Sales of shares are recognized directly in equity.

If, as of December 31, 2013, all shares allocated for future matching under the Stock Purchase Plan were transferred, and shares

designated to cover social security payments were disposed of as a result of the exercise and the matching, approximately 64 million Class B shares would be transferred, corresponding to 2.0% of the total number of shares outstanding, or 3,231 million not including treasury stock. As of December 31, 2013, 74 million Class B shares were held as treasury stock.

The table on page 99 shows how shares (representing matching rights but excluding shares for social security expenses) are being used for all outstanding plans. From up to down the table includes (A) the number of shares originally approved by the Annual General Meeting; (B) the number of originally designated shares that were outstanding at the beginning of 2013; (C) the number of shares awards that were

granted during 2013; (D) the number of shares matched during 2013; (E) the number of shares forfeited by participants or expired under the plan rules during 2013; and (F) the balance left as outstanding at the end of 2013, having added new awards to the shares outstanding at the beginning of the year and deducted the shares related to awards matched, forfeited and expired. The final row (G) shows the compensation costs charged to the accounts during 2013 for each plan, calculated as fair value in SEK.

For a description of compensation cost, including accounting treatment, see Note C1, "Significant accounting policies," section Share-based compensation to employees and the Board of Directors.

Employee numbers, wages and salaries

Employee numbers

Average number of employees

	2013			2012		
	Women	Men	Total	Women	Men	Total
North America	3,234	12,060	15,294	3,479	12,607	16,086
Latin America	2,216	9,562	11,778	2,137	9,230	11,367
Northern Europe & Central Asia ¹⁾²⁾	5,523	15,519	21,042	5,746	15,351	21,097
Western & Central Europe ²⁾	3,802	8,263	12,065	1,790	9,463	11,253
Mediterranean ²⁾	2,865	9,793	12,658	2,966	10,064	13,030
Middle East	566	4,820	5,386	617	4,603	5,220
Sub-Saharan Africa	364	1,704	2,068	548	1,672	2,220
India	2,586	15,042	17,628	2,137	11,924	14,061
North East Asia	4,308	10,108	14,416	4,191	9,584	13,775
South East Asia & Oceania	1,061	3,234	4,295	1,175	3,474	4,649
Total	26,525	90,105	116,630	24,786	87,972	112,758
¹⁾ Of which in Sweden	4,118	12,972	17,090	4,232	13,337	17,569
²⁾ Of which in EU	11,703	31,729	43,432	9,911	33,581	43,492

Number of employees by region at year-end

	2013	2012
North America	14,931	15,501
Latin America	11,445	11,219
Northern Europe & Central Asia ¹⁾²⁾	21,892	21,211
Western & Central Europe ²⁾	11,530	11,257
Mediterranean ²⁾	12,314	12,205
Middle East	3,752	3,992
Sub-Saharan Africa	2,084	2,014
India	17,622	14,303
North East Asia	14,503	14,157
South East Asia & Oceania	4,267	4,396
Total	114,340	110,255
¹⁾ Of which in Sweden	17,858	17,712
²⁾ Of which in EU	43,421	42,872

Number of employees by gender and age at year-end 2013

	Women	Men	Percent of total
Under 25 years old	1,737	3,285	5%
25–35 years old	9,634	34,966	39%
36–45 years old	7,781	29,895	33%
46–55 years old	4,133	16,830	18%
Over 55 years old	1,298	4,781	5%
Percent of total	21%	79%	100%

Employee movements

	2013	2012
Head count at year-end	114,340	110,255
Employees who have left the Company	13,025	12,280
Employees who have joined the Company	17,110	18,010
Temporary employees	493	766

Employee wages and salaries

(SEK million)	2013	2012
Wages and salaries	48,533	48,428
Social security expenses	16,531	15,672
Of which pension costs	4,426	2,762

Amounts related to the President and CEO and the Executive Leadership Team are included.

Remuneration to Board members and Presidents in subsidiaries

(SEK million)	2013	2012
Salary and other remuneration	294	243
Of which annual variable remuneration	40	33
Pension costs	23	27

Board members, Presidents and Group management by gender at year end

	2013		2012	
	Women	Men	Women	Men
Parent Company				
Board members and President	25%	75%	27%	73%
Group Management	29%	71%	29%	71%
Subsidiaries				
Board members and Presidents	27%	73%	12%	88%

C29 RELATED PARTY TRANSACTIONS

During 2013, various related party transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis. For information regarding equity and Ericsson's share of assets, liabilities and income in joint ventures and associated companies, see Note C12, "Financial assets, non-current." For information regarding transactions with senior management, see Note C28, "Information regarding members of the Board of Directors, the Group management and employees."

ST-Ericsson

ST-Ericsson was formed in 2009 as a joint venture, equally owned by Ericsson and STMicroelectronics. In early 2013 the parents agreed to split up and close the joint venture. The company ST-Ericsson is winding down and all business has been transferred to parents or divested during 2013. Ericsson has taken over assets and liabilities in the design, development and sales of the thin LTE multi-mode modem solution with a net value of SEK 1.1 billion. The Purchase price allocation related to this acquisition is preliminary. The acquired business is now consolidated into Ericsson in the new segment Modems. For further information, see Note C3, "Segment information" and Note C26 "Business combinations."

During 2013 Ericsson had no sales and purchases in the course of ordinary business, only transactions related to the winding down described above. Therefore, the descriptions below refers to the years 2011 and 2012. The major transactions in 2011 and 2012 were as follows:

- **Sales:** Ericsson provides ST-Ericsson with services in the areas of R&D, HR, IT and facilities.
- **Purchases:** A major part of Ericsson's purchases from ST-Ericsson consists of chipsets and R&D services.

ST-Ericsson

	2013 ¹⁾	2012	2011
Related party transactions			
Sales	-	138	182
Purchases	-	634	781
Related party balances			
Receivables	-	127	51
Liabilities	-	-	24

¹⁾ See text above for further information.

Ericsson does not have any contingent liabilities, assets pledged as collateral or guarantees towards ST-Ericsson.

C30 FEES TO AUDITORS

Fees to auditors

	PwC	Others	Total
2013			
Audit fees	75	7	82
Audit-related fees	12	-	12
Tax services fees	12	3	15
Other fees	15	1	16
Total	114	11	125
2012			
Audit fees	82	5	87
Audit-related fees	15	-	15
Tax services fees	16	3	19
Other fees	10	10	20
Total	123	18	141
2011			
Audit fees	77	9	86
Audit-related fees	10	-	10
Tax services fees	20	3	23
Other fees	16	-	16
Total	123	12	135

During the period 2011–2013, in addition to audit services, PwC provided certain audit-related services, tax and other services to the Company. The audit-related services include quarterly reviews, ISO audits, SSAE 16 reviews and services in connection with the issuing of certificates and opinions and consultation on financial accounting. The tax services include general expatriate services and corporate tax compliance work. Other services include, work related to acquisitions, operational effectiveness and assessments of internal control.

Audit fees to other auditors largely consist of local statutory audits.

C31 CONTRACTUAL OBLIGATIONS

Contractual obligations 2013

SEK billion	Payment due by period				Total
	<1 year	1–3 years	3–5 years	>5 years	
Long-term debt ¹⁾²⁾	6.5	3.1	5.6	13.5	28.7
Finance lease obligations ³⁾	0.1	0.2	0.3	0.7	1.3
Operating leases ³⁾	2.1	3.2	1.5	2.4	9.2
Other non-current liabilities	0.1	0.2	0.1	1.1	1.5
Purchase obligations ⁴⁾	5.4	-	-	-	5.4
Trade payables	20.5	-	-	-	20.5
Commitments for customer finance ⁵⁾	6.4	-	-	-	6.4
Total	41.1	6.7	7.5	17.7	73.0

¹⁾ Including interest payments.

²⁾ See Note C20, "Financial risk management and financial instruments."

³⁾ See Note C27, "Leasing."

⁴⁾ The amounts of purchase obligations are gross, before deduction of any related provisions.

⁵⁾ See also Note C14, "Trade receivables and customer finance."

For information about financial guarantees, see Note C24, "Contingent liabilities."

Except for those transactions described in this report, the Company has not been a party to any material contracts over the past three years other than those entered into during the ordinary course of business.

PARENT COMPANY FINANCIAL STATEMENTS AND NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

January – December, SEK million	Notes	2013	2012	2011 ¹⁾
Net sales		–	–	–
Cost of sales		–	–	–
Gross income		–	–	–
Selling expenses		–210	–241	–609
Administrative expenses		–1,170	–690	–1,512
Operating expenses		–1,380	–931	–2,121
Other operating income and expenses	P2	2,768	2,534	3,184
Operating income		1,388	1,603	1,063
Financial income	P3	8,321	11,932	8,072
Financial expenses	P3	–2,465	–18,392	–2,765
Income after financial items		7,244	–4,858	6,370
Transfers to (–)/from untaxed reserves				
Changes in depreciation in excess of plan	P14	288	388	339
Contributions from subsidiaries, net	P14	–430	–2,034	–1,979
		7,102	–6,504	4,730
Taxes	P4	–247	–289	–103
Net income		6,855	–6,793	4,627

¹⁾ Restated for contributions to/from subsidiaries.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

January – December, SEK million	2013	2012	2011
Net income	6,855	–6,793	4,627
Other comprehensive income			
Items that may be reclassified to profit and loss			
Cash flow hedges			
Gains/losses arising during the period	–	–64	203
Adjustments for amounts transferred to initial carrying amount of hedged items	–	–139	–
Revaluation of other investments in shares and participations			
Fair value remeasurement	69	–	–
Total other comprehensive income, net of tax	69	–203	203
Total comprehensive income	6,924	–6,996	4,830

PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

PARENT COMPANY BALANCE SHEET

December 31, SEK million	Notes	2013	2012
Assets			
Fixed assets			
Intangible assets	P5	646	849
Tangible assets	P6	571	535
Financial assets			
Investments			
Subsidiaries	P7, P8	80,756	80,839
Joint ventures and associated companies	P7, P8	337	337
Other investments	P7	410	267
Receivables from subsidiaries	P7, P11	11,024	15,737
Customer finance, non-current	P7, P10	1,064	999
Deferred tax assets	P4	233	198
Other financial assets, non-current	P7	917	1,153
		95,958	100,914
Current assets			
Inventories	P9	7	55
Receivables			
Trade receivables	P10	34	35
Customer finance, current	P10	901	1,020
Receivables from subsidiaries	P11	13,833	16,195
Current income taxes		123	134
Other current receivables	P12	2,356	4,310
Short-term investments	P18	34,520	31,491
Cash and cash equivalents	P18	23,954	25,946
		75,728	79,186
Total assets		171,686	180,100

PARENT COMPANY BALANCE SHEET (CONTINUED)

December 31, SEK million	Notes	2013	2012
Stockholders' equity, provisions and liabilities			
Stockholders' equity			
Capital stock	P13	16,526	16,526
Revaluation reserve		20	20
Statutory reserve		31,472	31,472
Restricted equity		48,018	48,018
Retained earnings		16,874	32,620
Net income		6,855	-6,793
Other comprehensive income		69	-203
Non-restricted equity		23,798	25,624
		71,816	73,642
Untaxed reserves	P14	-	288
Provisions			
Post-employment benefits	P15	407	386
Other provisions	P16	1,690	3,709
		2,097	4,095
Non-current liabilities			
Notes and bond loans	P17	14,522	16,519
Other borrowings, non-current	P17	5,686	5,273
Liabilities to subsidiaries	P11	24,034	26,732
Other non-current liabilities		249	239
		44,491	48,763
Current liabilities			
Borrowings, current	P17	6,005	2,671
Trade payables	P20	611	555
Liabilities to subsidiaries	P11	44,444	46,959
Other current liabilities	P19	2,222	3,127
		53,282	53,312
Total stockholders' equity, provisions and liabilities		171,686	180,100
Assets pledged as collateral	P21	553	520
Contingent liabilities	P22	15,999	16,719

PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

PARENT COMPANY STATEMENT OF CASH FLOWS

January – December, SEK million	Notes	2013	2012	2011
Operating activities				
Net income		6,855	-6,793	4,627
Adjustments to reconcile net income to cash	P23	956	14,436	3,163
		7,811	7,643	7,790
Changes in operating net assets				
Inventories		48	6	-4
Customer finance, current and non-current		54	201	286
Trade receivables		-2,662	-39	35
Trade payables		279	-261	-133
Provisions and post-employment benefits		-1,803	-91	-309
Other operating assets and liabilities, net		901	-2,837	2,379
		-3,183	-3,021	2,254
Cash flow from operating activities		4,628	4,622	10,044
Investing activities				
Investments in property, plant and equipment		-245	-224	-148
Sales of property, plant and equipment		-	-	16
Investments in shares and other investments		-898	-1,807	-3,718
Divestments of shares and other investments		300	9,792	7
Lending, net		9,047	-2,668	-3,074
Other investing activities		-	1	-1,730
Short-term investments		-2,537	5,043	16,357
Cash flow from investing activities		5,667	10,137	7,710
Cash flow before financing activities		10,295	14,759	17,754
Financing activities				
Changes in current liabilities to subsidiaries		-2,547	2,795	-9,361
Proceeds from issuance of borrowings		4,436	8,132	-
Repayment of borrowings		-2,916	-7,296	-
Stock issue		-	159	-
Sale/repurchase of own shares		90	-93	92
Dividends paid		-8,863	-8,033	-7,207
Settled contributions from/to (-) subsidiaries		-2,673	-543	409
Other financing activities		-1,324	-158	288
Cash flow from financing activities		-13,797	-5,037	-15,779
Effect from remeasurement in cash		1,510	-1,064	-126
Net change in cash		-1,992	8,658	1,849
Cash and cash equivalents, beginning of period		25,946	17,288	15,439
Cash and cash equivalents, end of period	P18	23,954	25,946	17,288

PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

SEK million	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Fair value reserves	Other retained earnings	Non-restricted equity	Total
January 1, 2013	16,526	20	31,472	48,018	100	–	25,524	25,624	73,642
Total comprehensive income	–	–	–	–	–	69	6,855	6,924	6,924
Transactions with owners									
Stock issue	–	–	–	–	–	–	–	–	–
Sale of own shares	–	–	–	–	–	–	90	90	90
Stock purchase plans	–	–	–	–	–	–	23	23	23
Repurchase of own shares	–	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	–8,863	–8,863	–8,863
December 31, 2013	16,526	20	31,472	48,018	100	69	23,629	23,798	71,816
January 1, 2012	16,367	20	31,472	47,859	100	203	40,417	40,720	88,579
Total comprehensive income	–	–	–	–	–	–203	–6,793	–6,996	–6,996
Transactions with owners									
Stock issue	159	–	–	159	–	–	–	–	159
Sale of own shares	–	–	–	–	–	–	66	66	66
Stock purchase plans	–	–	–	–	–	–	26	26	26
Repurchase of own shares	–	–	–	–	–	–	–159	–159	–159
Dividends paid	–	–	–	–	–	–	–8,033	–8,033	–8,033
December 31, 2012	16,526	20	31,472	48,018	100	–	25,524	25,624	73,642

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

P1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Parent Company, Telefonaktiebolaget LM Ericsson, have been prepared in accordance with the Annual Accounts Act and RFR 2 "Reporting in separate financial statements." RFR 2 requires the Parent Company to use the same accounting principles as for the Group, i.e. IFRS, to the extent allowed by RFR 2.

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

Subsidiaries, associated companies and joint ventures

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

Contributions to/from subsidiaries and shareholders' contributions are accounted for according to RFR 2. Contributions from/to Swedish subsidiaries are reported as untaxed reserves, net in the income statement.

Shareholders' contributions increase the Parent Company's investments.

Classification and measurement of financial instruments

IAS 39 Financial Instruments: Recognition and Measurement is adopted, except regarding financial guarantees where the exception allowed in RFR 2 is chosen. Financial guarantees are included in Contingent liabilities.

Leasing

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

Deferred taxes

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

Pensions

Pensions are accounted for in accordance with the recommendation FAR SRS RedR 4 "Accounting for pension liability and pension cost" from the Institute for the Accountancy Profession in Sweden. According to RFR 2, IAS 19R shall be adopted regarding supplementary disclosures when applicable.

Borrowing costs

All borrowing costs in relation to qualifying assets are expensed as incurred.

Business combinations

Transaction costs attributable to the acquisition are included in the cost of acquisition in the parent company statements compared to Group Statements where these costs are expensed as incurred.

Critical accounting estimates and judgments

See Notes to the consolidated financial statements – Note C2, "Critical accounting estimates and judgments." Major critical accounting estimates and judgments applicable to the Parent Company include "Trade and customer finance receivables" and "Acquired intellectual property rights and other intangible assets, excluding goodwill."

P2 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses

	2013	2012	2011
License revenues and other operating revenues			
Subsidiary companies	2,639	2,488	2,704
Other	135	49	479
Net gains/losses (–) on sales of tangible assets	-6	-3	1
Total	2,768	2,534	3,184

P3 FINANCIAL INCOME AND EXPENSES

Financial income and expenses			
	2013	2012	2011
Financial income			
Result from participations in subsidiary companies			
Dividends	7,054	5,031	5,198
Net gains on sales	8	61	6
Result from participations in joint ventures and associated companies			
Dividends	126	132	154
Net gains on sales	195	4,768	–
Result from other securities and receivables accounted for as fixed assets			
Net gains on sales	6	62	1
Other interest income and similar profit/loss items			
Subsidiary companies	357	472	280
Other	575	1,406	2,433
Total	8,321	11,932	8,072
Financial expenses			
Losses on sales of participations in subsidiary companies	–137	–36	–1
Write-down of investments in subsidiary companies	–500	–	–1,330
Net loss from joint ventures and associated companies	–	–16,972	–
Write-down of participations in other companies	–	–47	–
Interest expenses and similar profit/loss items			
Subsidiary companies	–154	–189	–304
Other	–977	–1,089	–1,109
Other financial expenses	–697	–59	–21
Total	–2,465	–18,392	–2,765
Financial net	5,856	–6,460	5,307

Interest expenses on pension liabilities are included in the interest expenses shown above.

P4 TAXES

Income taxes recognized in the income statement

The following items are included in Taxes:

Taxes	2013	2012	2011
Other current income taxes for the year	–100	–125	–125
Current income taxes related to prior years	–183	–112	74
Deferred tax income/expense (–) related to temporary differences	36	–52	–52
Taxes	–247	–289	–103

A reconciliation between actual tax expense for the year and the theoretical tax expense that would arise when applying the statutory tax rate in Sweden, 22.0% (26.3% in 2012 and 2011), on income before taxes is shown in the table below.

Reconciliation of actual income tax rate to the actual income tax rate

	2013	2012	2011
Tax rate in Sweden (22.0%)	–1,567	1,711	–1,244
Current income taxes related to prior years	–183	–112	74
Tax effect of non-deductible expenses	–23	–29	–14
Tax effect of non-taxable income	1,636	2,655	1,429
Tax effect related to write-downs of investments in subsidiary companies	–110	–4,476	–348
Tax effect of change in deferred tax rate	–	–38	–
Actual tax cost (–)	–247	–289	–103

Deferred tax balances

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

Deferred tax assets	2013	2012
Deferred tax assets	233	198

Deferred tax assets refer mainly to costs related to customer finance and provisions for restructuring costs.

P5 INTANGIBLE ASSETS

Patents, licenses, trademarks and similar rights

	2013	2012
Accumulated acquisition costs		
Opening balance	4,146	4,167
Acquisitions	15	–
Sales/disposals	–	–21
Closing balance	4,161	4,146
Accumulated amortization		
Opening balance	–2,352	–2,134
Amortization	–218	–218
Sales/disposals	–	–
Closing balance	–2,570	–2,352
Accumulated impairment losses		
Opening balance	–945	–945
Impairment losses	–	–
Closing balance	–945	–945
Net carrying value	646	849

The balances relate mainly to the Marconi trademark acquired during 2006. The useful life and amortization period for this trademark has been set to 10 years.

P6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

	Land and buildings	Other equipment and installations	Construction in process and advance payments	Total
2013				
Accumulated acquisition costs				
Opening balance	–	1,267	209	1,476
Additions	–	15	230	245
Sales/disposals	–	–77	–	–77
Reclassifications	–	277	–277	–
Closing balance	–	1,482	162	1,644
Accumulated depreciation				
Opening balance	–	–941	–	–941
Depreciation	–	–203	–	–203
Sales/disposals	–	71	–	71
Closing balance	–	–1,073	–	–1,073
Net carrying value	–	409	162	571
2012				
Accumulated acquisition costs				
Opening balance	–	1,225	80	1,305
Additions	–	37	187	224
Sales/disposals	–	–53	–	–53
Reclassifications	–	58	–58	–
Closing balance	–	1,267	209	1,476
Accumulated depreciation				
Opening balance	–	–814	–	–814
Depreciation	–	–177	–	–177
Sales/disposals	–	50	–	50
Closing balance	–	–941	–	–941
Net carrying value	–	326	209	535

P7
FINANCIAL ASSETS

Investments in subsidiary companies, joint ventures and associated companies

	Subsidiary companies		Joint ventures		Associated companies	
	2013	2012	2013	2012	2013	2012
Opening balance	80,839	79,511	–	12,736	337	330
Acquisitions and stock issues	282	1,682	–	–	–	–
Shareholders' contribution	518	191	–	–	–	–
Reclassifications	–	–	–	5,029	–	7
Repayment of shareholders' contribution	–	–	–	–	–	–
Write-downs	-500	–	–	-13,629	–	–
Disposals	-383	-545	–	-4,136	–	–
Closing balance	80,756	80,839	–	–	337	337

Other financial assets

	Other investments in shares and participations		Receivables from subsidiaries, non-current		Customer finance, non-current		Other financial assets, non-current	
	2013	2012	2013	2012	2013	2012	2013	2012
Accumulated acquisition costs								
Opening balance	323	288	15,737	8,017	1,065	1,379	1,153	1,203
Additions	74	45	1,405	9,725	345	547	42	20
Disposals/repayments/deductions	–	-3	-6,000	-1,301	-49	-516	-66	-78
Reclassifications/revaluation	69	-7	-630	-93	-226	-328	-212	8
Translation difference	–	–	512	-611	-16	-17	–	–
Closing balance	466	323	11,024	15,737	1,119	1,065	917	1,153
Accumulated write-downs/allowances								
Opening balance	-56	-9	–	–	-66	-42	–	–
Write-downs/allowances	–	-47	–	–	–	-57	–	–
Disposals/repayments/deductions	–	–	–	–	6	10	–	–
Reclassifications	–	–	–	–	3	20	–	–
Translation difference	–	–	–	–	2	3	–	–
Closing balance	-56	-56	–	–	-55	-66	–	–
Net carrying value	410	267	11,024	15,737	1,064	999	917	1,153

P8 INVESTMENTS

The following listing shows certain shareholdings owned directly and indirectly by the Parent Company as of December 31, 2013. A complete listing of shareholdings, prepared in accordance with the Swedish Annual Accounts Act and filed with the Swedish Companies

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

Shares owned directly by the Parent Company

Type	Company	Reg. No.	Domicile	Percentage of ownership	Par value in local currency, million	Carrying value, SEK million
Subsidiary companies						
I	Ericsson AB	556056-6258	Sweden	100	50	20,731
I	Ericsson Shared Services AB	556251-3266	Sweden	100	361	2,216
I	Netwise AB	556404-4286	Sweden	100	2	306
II	AB Aulis	556030-9899	Sweden	100	14	6
III	Ericsson Credit AB	556326-0552	Sweden	100	5	5
	Other (Sweden)			—	—	1,847
I	Ericsson Austria GmbH		Austria	100	4	65
I	Ericsson Danmark A/S		Denmark	100	90	216
I	Oy LM Ericsson Ab		Finland	100	13	196
II	Ericsson Participations France SAS		France	100	26	524
I	Ericsson Germany GmbH		Germany	100	—	4,232
I	Ericsson Hungary Ltd.		Hungary	100	1,301	120
II	LM Ericsson Holdings Ltd.		Ireland	100	2	15
I	Ericsson Telecommunicazioni S.p.A.		Italy	100	44	5,357
II	Ericsson Holding International B.V.		The Netherlands	100	222	3,200
I	Ericsson A/S		Norway	100	75	114
II	Ericsson Television AS		Norway	100	161	1,788
I	Ericsson Corporatia AO		Russia	100	5	5
I	Ericsson España S.A.		Spain	100	43	170
I	Ericsson AG		Switzerland	100	—	—
II	Ericsson Holdings Ltd.		United Kingdom	100	328	4,094
	Other (Europe, excluding Sweden)			—	—	395
II	Ericsson Holding II Inc.		United States	100	2,830	29,006
I	Compañía Ericsson S.A.C.I.		Argentina	95 ¹⁾	41	178
I	Ericsson Canada Inc.		Canada	100	—	51
I	Belair Networks		Canada	100	170	170
I	Ericsson Telecom S.A. de C.V.		Mexico	100	n/a	1,050
	Other (United States, Latin America)			—	—	67
II	Teleric Pty Ltd.		Australia	100	20	100
I	Ericsson Ltd.		China	100	2	2
I	Ericsson (China) Company Ltd.		China	100	65	475
I	Ericsson India Private Ltd.		India	100	725	147
I	Ericsson India Global Services PVT. Ltd		India	100	389	64
I	Ericsson-LG CO Ltd.		Korea	75	150	3,285
I	Ericsson (Malaysia) Sdn. Bhd.		Malaysia	70	2	4
I	Ericsson Telecommunications Pte. Ltd.		Singapore	100	2	1
I	Ericsson South Africa PTY. Ltd		South Africa	100	—	128
I	Ericsson Taiwan Ltd.		Taiwan	90	270	36
I	Ericsson (Thailand) Ltd.		Thailand	49 ²⁾	90	17
	Other countries (the rest of the world)			—	—	373
Total						80,756
Joint ventures and associated companies						
II	ST-Ericsson SA		Switzerland	50	137	—
I	Rockstar Consortium Group		Canada	21	1	7
I	Ericsson Nikola Tesla d.d.		Croatia	49	65	330
Total						337

Key to type of company

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

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

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

Shares owned by subsidiary companies

Type	Company	Reg. No.	Domicile	Percentage of ownership
Subsidiary companies				
II	Ericsson Cables Holding AB	556044-9489	Sweden	100
I	Ericsson France SAS		France	100
I	Ericsson Telekommunikation GmbH ¹⁾		Germany	100
I	LM Ericsson Ltd.		Ireland	100
I	Ericsson Telecommunicatie B.V.		The Netherlands	100
I	Ericsson Telekomunikasyon A.S.		Turkey	100
I	Ericsson Ltd.		United Kingdom	100
I	Ericsson Inc.		United States	100
I	Ericsson Wifi Inc.		United States	100
I	Drutt Corporation Inc.		United States	100
I	Optimi Corporation		United States	100
I	Redback Networks Inc.		United States	100
I	Telcordia Technologies Inc.		United States	100
I	Ericsson Telecomunicações S.A.		Brazil	100
I	Ericsson Australia Pty. Ltd.		Australia	100
I	Ericsson (China) Communications Co. Ltd.		China	100
I	Nanjing Ericsson Panda Communication Co. Ltd.		China	51
I	Ericsson Japan K.K.		Japan	100
I	Ericsson Communication Solutions Pte Ltd.		Singapore	100

Key to type of company

- I Manufacturing, distribution and development companies
II Holding companies

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.

P9 INVENTORIES

Inventories	2013	2012
Finished products and goods for resale	7	55
Inventories	7	55

P10 TRADE RECEIVABLES AND CUSTOMER FINANCE

Credit risk management is governed on a Group level.
For further information, see Notes to the consolidated financial statements – Note C14, “Trade receivables and customer finance” and Note C20, “Financial risk management and financial instruments.”

Trade receivables and customer finance	2013	2012
Trade receivables excluding associated companies and joint ventures	54	57
Allowances for impairment	-22	-23
Trade receivables, net	32	34
Trade receivables related to associated companies and joint ventures	2	1
Trade receivables, total	34	35
Customer finance	2,040	2,116
Allowances for impairment	-75	-97
Customer finance, net	1,965	2,019

Movements in allowances for impairment

	Trade receivables 2013	2012	Customer finance 2013	2012
Opening balance	23	23	97	65
Additions	-	-	3	62
Utilization	-	-	-	-9
Reversal of excess amounts	-	-	-27	-20
Translation difference	-	-	2	-1
Closing balance	23	23	75	97

Aging analysis as per December 31

	Trade receivables excluding associated companies and joint ventures	Allowances for impairment of receivables	Trade receivables related to associated companies and joint ventures	Customer finance	Allowances for impairment of customer finance
2013					
Neither impaired nor past due	24	–	2	1,404	–
Impaired, not past due	–	–	–	80	–63
Past due in less than 90 days	1	–	–	58	–
Past due in 90 days or more	8	–	–	448	–
Past due and impaired in less than 90 days	–	–	–	18	–9
Past due and impaired in 90 days or more	23	–23	–	32	–3
Total	56	–23	2	2,040	–75
2012					
Neither impaired nor past due	25	–	1	1,516	–
Impaired, not past due	–	–	–	474	–48
Past due in less than 90 days	5	–	–	21	–
Past due in 90 days or more	2	–	–	14	–
Past due and impaired in less than 90 days	–	–	–	70	–44
Past due and impaired in 90 days or more	25	–23	–	21	–5
Total	57	–23	1	2,116	–97

Outstanding customer finance

	2013	2012
On-balance sheet customer finance	2,040	2,116
Financial guarantees for third parties	178	258
Total customer finance	2,218	2,374
Accrued interest	115	56
Less third-party risk coverage	–213	–177
Parent Company's risk exposure	2,120	2,253
On-balance sheet credits, net carrying value	1,965	2,019
Of which current	901	1,020
Credit commitments for customer finance	456	543

During 2013 the Parent Company transferred certain customer finance assets to third parties, and continues to recognize a part of such assets corresponding to the extent of its continuing involvement. The total carrying amount of the original assets transferred was SEK 428 (471) million, the amount of the assets that the Parent Company continues to recognize was SEK 188 (28) million, and the carrying amount of the associated liabilities was SEK 0 (0) million.

P11

RECEIVABLES AND LIABILITIES – SUBSIDIARY COMPANIES

Receivables and liabilities – subsidiary companies

	Payment due by period			Total	Total
	< 1 year	1–5 years	>5 years	2013	2012
Non-current receivables¹⁾					
Financial receivables	34	10,990	–	11,024	15,737
Current receivables					
Trade receivables	3,573	–	–	3,573	896
Financial receivables	10,260	–	–	10,260	15,299
Total	13,833	–	–	13,833	16,195
Non-current liabilities¹⁾					
Financial liabilities	–	–	24,034	24,034	26,732
Current liabilities					
Trade payables	502	–	–	502	277
Financial liabilities	43,942	–	–	43,942	46,682
Total	44,444	–	–	44,444	46,959

¹⁾ Including non-interest-bearing receivables and liabilities, net, amounting to SEK –24,034 million in 2013 (SEK –20,732 million in 2012).

**P12
OTHER CURRENT RECEIVABLES**

Other current receivables

	2013	2012
Prepaid expenses	506	446
Accrued revenues	126	75
Derivatives with a positive value	1,527	3,520
Other	197	269
Total	2,356	4,310

**P13
EQUITY AND OTHER COMPREHENSIVE INCOME**

Capital stock 2013

Capital stock at December 31, 2013, consisted of the following:

Capital stock

	Number of shares	Capital stock
Class A shares ¹⁾	261,755,983	1,309
Class B shares ¹⁾	3,043,295,752	15,217
Total	3,305,051,735	16,526

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

Equity and other comprehensive income 2013

	Capital stock	Revalua- tion reserve	Statutory reserve	Total restricted equity	Disposi- tion reserve	Fair value reserves	Other retained earnings	Non- restricted equity	Total
January 1, 2013	16,526	20	31,472	48,018	100	–	25,524	25,624	73,642
Net income	–	–	–	–	–	–	6,855	6,855	6,855
Other comprehensive income									
Items that may be reclassified to profit or loss									
Revaluation of other investments in shares and participations									
Fair value remeasurement	–	–	–	–	–	69	–	69	69
Total other comprehensive income, net of tax	–	–	–	–	–	69	–	69	69
Total comprehensive income	–	–	–	–	–	69	–	69	69
Transactions with owners									
Stock issue	–	–	–	–	–	–	–	–	–
Sale of own shares	–	–	–	–	–	–	90	90	90
Stock Purchase Plans	–	–	–	–	–	–	23	23	23
Repurchase of own shares	–	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	–8,863	–8,863	–8,863
December 31, 2013	16,526	20	31,472	48,018	100	69	23,629	23,798	71,816

Equity and other comprehensive income 2012

	Capital stock	Revalua- tion reserve	Statutory reserve	Total restricted equity	Disposi- tion reserve	Fair value reserves	Other retained earnings	Non- restricted equity	Total
January 1, 2012	16,367	20	31,472	47,859	100	203	40,417	40,720	88,579
Net income	–	–	–	–	–	–	–6,793	–6,793	–6,793
Other comprehensive income									
Items that may be reclassified to profit or loss									
Cash flow hedges									
Gains/losses arising during the period	–	–	–	–	–	–203	–	–203	–203
Total other comprehensive income, net of tax	–	–	–	–	–	–203	–	–203	–203
Total comprehensive income	–	–	–	–	–	–203	–6,793	–6,996	–6,996
Transactions with owners									
Stock issue	159	–	–	159	–	–	–	–	159
Sale of own shares	–	–	–	–	–	–	66	66	66
Stock Purchase Plans	–	–	–	–	–	–	26	26	26
Repurchase of own shares	–	–	–	–	–	–	–159	–159	–159
Dividends paid	–	–	–	–	–	–	–8,033	–8,033	–8,033
December 31, 2012	16,526	20	31,472	48,018	100	–	25,524	25,624	73,642

P14 UNTAXED RESERVES

Untaxed reserves			
2013	Jan 1	Additions/ withdrawals (-)	Dec 31
Accumulated depreciation in excess of plan			
Total accumulated depreciation in excess of plan	288	-288	-

The company has decided to dissolve the accumulated accelerated depreciation. Deferred tax liability on untaxed reserves, not accounted for in deferred taxes, therefore amounts to SEK 0 million (SEK 64 million in 2012).

Contributions to Swedish subsidiaries amount to SEK 430 million (SEK 6,570 million in 2012). There were no contributions from Swedish subsidiaries in 2013 (SEK 4,536 million in 2012).

P15 POST-EMPLOYMENT BENEFITS

The Parent Company has two types of pension plans:

- Defined contribution plans: post-employment benefit plans where the Parent Company pays fixed contributions into separate entities and has no legal or constructive obligation to pay further contributions if the entities do not hold sufficient assets to pay all employee benefits relating to employee service. The expenses for defined contribution plans are recognized during the period when the employee provides service.
- Defined benefit plans: post-employment benefit plans where the Parent Company's undertaking is to provide predetermined benefits that the employee will receive on or after retirement. The ITP2 plan for the Parent Company is partly funded. ITP2 is a supplementary pension plan for salaried employees born before 1979. Pension obligations are calculated annually, on the balance sheet date, based on actuarial assumptions.

Defined benefit obligation – amount recognized in the Balance sheet

	2013	2012
Present value of wholly or partially funded pension plans ¹⁾	754	713
Fair value of plan assets	-947	-873
Unfunded/net surplus (-) of funded pension plans	-193	-160
Present value of unfunded pension plans	407	386
Excess from plan assets not accounted for	185	136
Payment to pension trust, reclassified	8	24
Closing balance provision for pensions	407	386

¹⁾ The ITP2 obligation is covered by the Swedish law on safeguarding of pension commitments and amounts to SEK 737 million (SEK 709 million in 2012).

The defined benefit obligations are calculated based on the actual salary levels at year-end and based on a discount rate of 3.4%.

Weighted average life expectancy after the age of 65 is 25 years for women and 23 years for men.

In 2005, SEK 524 million was transferred into the Swedish pension trust. From 2009–2013 additional transfers of SEK 175 million have been made.

The Parent Company utilizes no assets held by the pension trust.

Return on plan assets was 5.8% (7.3% in 2012).

Plan assets allocation

	2013	2012
Cash and cash equivalents	33	123
Equity securities	119	78
Debt securities	203	235
Real estate	93	32
Investment funds	499	405
Total	947	873
<i>Of which Ericsson securities</i>	<i>1</i>	<i>1</i>

Change in the defined benefit obligation

	2013	2012
Opening balance	386	376
Payment to pension trust	-23	-58
Payment to pension trust, reclassified	-17	24
Pension costs, excluding taxes, related to defined benefit obligations accounted for in the income statement	126	100
Pension payments	-65	-56
Return on plan assets	-51	-59
Return on plan assets not accounted for	51	59
Closing balance provision for pensions	407	386

Estimated pension payments for 2014 are SEK 65 million.

Total pension cost and income recognized in the Income statement

	2013	2012	2011
Defined benefit obligations			
Costs excluding interest and taxes	87	61	55
Interest cost	40	39	43
Credit insurance premium	1	1	-1
Total cost defined benefit plans excluding taxes	128	101	97
Defined contribution plans			
Pension insurance premium	73	59	123
Total cost defined contribution plans excluding taxes	73	59	123
Return on plan assets	-	-	-25
Total pension cost, net excluding taxes	201	160	195

Of the total pension cost, SEK 161 million (SEK 121 million in 2012 and SEK 177 million in 2011) is included in operating expenses and SEK 40 million (SEK 39 million in 2012 and SEK 18 million in 2011) in the financial net.

P16 OTHER PROVISIONS

Other provisions

	Restructuring	Customer finance	Other	Total other provisions ¹⁾
2013				
Opening balance	71	84	3,554	3,709
Additions	170	5	218	393
Reversal of excess amounts	–	–	–195	–195
Cash out/utilization	–82	–	–2,135	–2,217
Reclassifications	–	–	–	–
Closing balance	159	89	1,442	1,690
2012				
Opening balance	160	87	28	275
Additions	16	–	3,548	3,564
Reversal of excess amounts	–1	–3	–200	–204
Cash out/utilization	–106	–	–22	–128
Reclassifications	2	–	200	202
Closing balance	71	84	3,554	3,709

¹⁾ Of which SEK 1,540 million (SEK 3,591 million in 2012) is expected to be utilized within one year.

P17 INTEREST-BEARING LIABILITIES

As per December 31, 2013, the Parent Company's outstanding interest-bearing liabilities, excluding liabilities to subsidiaries, stood at SEK 26.2 billion.

Interest-bearing liabilities

	2013	2012
Borrowings, current		
Current part of non-current borrowings ¹⁾	5,966	2,671
Other current borrowings	39	–
Total current borrowings	6,005	2,671
Borrowings, non-current		
Notes and bond loans	14,522	16,519
Other borrowings, non-current	5,686	5,273
Total non-current interest-bearing liabilities	20,208	21,792
Total interest-bearing liabilities	26,213	24,463

¹⁾ Including notes and bond loans of SEK 1,966 (2,671) million.

Notes and bond loans

Issued-maturing	Nominal amount	Coupon	Currency	Book value (SEK million)	Maturity date	Unrealized hedge gain/loss (included in book value)
Notes and bond loans						
2007–2014	220	0.594%	EUR	1,966	June 27, 2014 ¹⁾	
2007–2017	500	5.375%	EUR	5,056 ²⁾	June 27, 2017	–616
2009–2016 ³⁾	300		USD	1,939	June 23, 2016	
2010–2020 ⁴⁾	170		USD	1,112	December 23, 2020	
2012–2022	1,000	4.125%	USD	6,415	May 15, 2022	
Total notes and bond loans				16,488		–616
Bilateral loans						
2008–2015 ⁵⁾	4,000		SEK	4,000	July 15, 2015	
2012–2019 ⁶⁾	98		USD	632	September 30, 2019	
2012–2021 ⁶⁾	98		USD	634	September 30, 2021	
2013–2020 ⁷⁾	684		USD	4,420	November 6, 2020	
Total bilateral loans				9,686		

¹⁾ Next contractual repricing date March 27, 2013 (quarterly).

²⁾ Interest rate swaps are designated as fair value hedges.

³⁾ Private Placement, Swedish Export Credits Guarantee Board (EKN) / Swedish Export Credit Corporation (SEK).

⁴⁾ Private Placement, Swedish Export Credit Corporation (SEK).

⁵⁾ European Investment Bank (EIB), R&D project financing.

⁶⁾ Nordic Investment Bank (NIB), R&D project financing.

⁷⁾ European Investment Bank (EIB), R&D project financing.

All outstanding notes and bond loans are issued under the Euro medium-term note (EMTN) program or under its SEC Registered program. Bonds issued at a fixed interest rate are normally swapped to a floating interest rate using interest rate swaps leaving a maximum of 50% of outstanding loans at fixed interest rates. This resulted in weighted average interest rate of 4.44% (4.69%). These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

In June 2013 the Company repaid the EUR 313 million bond.

In June the Company signed a new USD 2 billion multi-currency revolving credit facility and refinanced its credit facility signed in 2007. The new facility has a tenor of five years, with two extension options of one year each, and the facility serves for general corporate purposes.

In November 2013 the Company made a full drawdown of USD 684 million under the European Investment Bank (EIB) loan facility signed in October 2012. The loan supports the company's R&D activities to further develop the next generation radio and IP technology that supports mobile broadband build-out globally. The loan will mature in November 2020.

In January 2014 the Company repaid the SEK 4 billion EIB loan with original maturity July 2015.

P18 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk management

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

Outstanding derivatives¹⁾

Fair value	2013		2012	
	Asset	Liability	Asset	Liability
Currency derivatives				
Maturity within 3 months	523	604	1,016	848
Maturity between 3 and 12 months	290	266	611	462
Maturity 1 to 3 years	8	–	4	–
Total	821	870	1,630	1,311
Of which internal	23	720	32	1,247
Of which designated in cash flow hedge relations	–	–	–	–
Interest rate derivatives				
Maturity within 3 months	–	–	–	–
Maturity between 3 and 12 months	186	269	487	285
Maturity 1 to 3 years	382	688	565	681
Maturity 3 to 5 years	663	163	1,212	738
Maturity more than 5 years	101	36	38	–
Total	1,332²⁾	1,156	2,302²⁾	1,705
Of which designated in fair value hedge relations	724	–	969	–

¹⁾ Some of the derivatives hedging non-current liabilities are recognized in the balance sheet as non-current due to hedge accounting.

²⁾ Of which SEK 613 million (SEK 825 million in 2012) is reported as non-current assets.

Cash, cash equivalents and short-term investments

SEK billion	Remaining time to maturity				2013
	< 3 months	3–12 months	1–5 years	> 5 years	
Bank deposits	12.8	–	–	–	12.8
Type of issuer/counterpart					
Governments	0.4	4.0	14.7	3.7	22.8
Banks	6.7	–	–	–	6.7
Corporates	4.4	–	–	–	4.4
Mortgage institutes	–	–	11.8	–	11.8
Total	24.3	4.0	26.5	3.7	58.5

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

During 2013, cash, cash equivalents and short-term investments increased by SEK 1.1 billion to SEK 58.5 billion.

Repayment schedule of non-current borrowings

Nominal amount (SEK billion)	Current maturities of long-term debt	Borrowings (non-current)	Total
2014	2.0	–	2.0
2015	4.0	–	4.0
2016	–	1.9	1.9
2017	–	4.4	4.4
2018	–	–	–
2019 and later	–	13.2	13.2
Total	6.0	19.5	25.5

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

Funding programs¹⁾

	Amount	Utilized	Unutilized
Euro Medium-Term Note program (USD million)	5,000	1,462	3,538
SEC Registered program (USD Million)	– ²⁾	1,000	–
Long-Term Committed Credit facility (USD million)	2,000	–	2,000

¹⁾ There are no financial covenants related to these programs.

²⁾ Program amount not determined.

In January 2013 Standard & Poor's changed the Company's credit rating outlook from BBB+ (stable) to BBB+ (negative) and Moody's changed the credit rating outlook A3 (stable) to A3 (negative). Both credit ratings are considered to be solid investment grade.

Fair valuation of the Company's financial instruments

The Company's financial instruments generally meet the requirements of level 1 valuation due to the fact that these assets are valued based on quoted prices in active markets for identical assets.

Exceptions to this relate to:

- > OTC derivatives with an amount of gross SEK 5.2 billion in relation to assets and gross SEK 4.4 billion in relation to liabilities were valued based on references to other market data as currency or interest rates. These valuations fall under level 2 valuation as defined by IFRS.
- > Ownership in other companies where the Company neither has control nor significant influence. The amount recognized in these cases was SEK 0.5 (0.4) billion. These assets, classified as level 3 assets for valuation purposes, have been valued based on the value in use technique.

Financial instruments carried at other than fair value

In the following tables, carrying amounts and fair values of financial instruments that are carried in the financial statements at other than fair values are presented. Assets valued at fair value through profit

and loss had a net gain of SEK 0.5 billion. For further information about valuation principles, see Notes to the consolidated financial statements, Note C1, "Significant accounting policies."

Financial instruments, book value

SEK billion	Trade receivables	Short-term investments	Receivables and liabilities subsidiaries	Borrowings	Trade payables	Cash equivalents	Other current receivables	Other current liabilities	Other non-current assets	2013	2012
	P10	P11	P17	P20	P12	P19					
Note											
Assets at fair value through profit or loss	–	34.5	–	–	–	11.1	1.5	–1.3	0.6	46.4	45.8
Loans and receivables	2.0	–	24.9	–	–	–	–	–	–	26.9	33.9
Available for sale assets	–	–	–	–	–	–	–	–	–	–	–
Financial liabilities at amortized cost	–	–	–68.5	–26.2	–0.4	–	–	–	–	–95.1	–98.8
Total	2.0	34.5	–43.6	–26.2	–0.4	11.1	1.5	–1.3	0.6	–21.8	–19.1

Financial instruments carried at other than fair value

SEK billion	Book value		Fair value	
	2013	2012	2013	2012
Current part of non-current borrowings	6.0	2.7	6.0	2.7
Notes and bond loans	14.5	16.5	14.7	17.0
Borrowings non-current	5.7	5.3	5.7	5.5
Total	26.2	24.5	26.4	25.2

Financial instruments excluded from the tables, such as trade receivables and payables, are carried at amortized cost which is deemed to be equal to fair value. When a market price is not readily available and there is insignificant interest rate exposure affecting the value, the book value is considered to represent a reasonable estimate of a fair value.

P19 OTHER CURRENT LIABILITIES

Other current liabilities

	2013	2012
Accrued interest	189	254
Accrued expenses, of which	633	392
Employee related	299	302
Other	334	90
Deferred revenues	15	7
Derivatives with a negative value	1,305	2,214
Other current liabilities	80	260
Total	2,222	3,127

P20 TRADE PAYABLES

Trade payables

	2013	2012
Trade payables excluding associated companies and joint ventures	407	555
Associated companies and joint ventures	204	–
Total	611	555

All trade payables fall due within 90 days.

P21 ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral

	2013	2012
Bank deposits	553	520
Total	553	520

The major item in bank deposits is the internal bank's clearing and settlement commitments of SEK 376 million (SEK 335 million in 2012).

P22 CONTINGENT LIABILITIES

Contingent liabilities

	2013	2012
Total contingent liabilities	15,999	16,719

Contingent liabilities include pension commitments of SEK 14,362 million (SEK 14,953 million in 2012).

In accordance with standard industry practice, the Company enters into commercial contract guarantees related to contracts for the supply of telecommunication equipment and services. The total amount for 2013 was SEK 16,595 million (SEK 18,473 million in 2012). Potential payments due under these bonds are related to the Company's performance under applicable contracts.

For information about financial guarantees, see Note P10, "Trade Receivables and Customer Finance."

P23 STATEMENT OF CASH FLOWS

Interest paid in 2013 amounted to SEK 1,022 million (SEK 1,218 million in 2012 and SEK 1,258 in 2011) and interest received was SEK 1,203 million (SEK 1,536 million in 2012 and SEK 2,532 in 2011). Income taxes paid were SEK 255 million (income taxes received were SEK 133 million in 2012 and SEK 147 million in 2011).

Adjustments to reconcile net income to cash

	2013	2012	2011
Property, plant and equipment			
Depreciation	203	177	168
Total	203	177	168
Intangible assets			
Amortization	218	218	237
Impairment losses	–	–	–
Total	218	218	237
Total depreciation and amortization on tangible and intangible assets			
	421	395	405
Taxes	–7	421	250
Write-downs and capital gains (–)/losses on sale of fixed assets, excluding customer finance, net	434	12,167	1,326
Additions to/withdrawals from (–) untaxed reserves	–288	–388	–339
Unsettled group contributions	430	2,034	1,979
Unsettled dividends	–	–	–70
Other non-cash items	–34	–193	–388
Total adjustments to reconcile net income to cash	956	14,436	3,163

P24 LEASING

Leasing with the Parent Company as lessee

At December 31, 2013, future payment obligations for leases were distributed as follows:

Future payment obligations for leases

	Operating leases
2014	710
2015	552
2016	424
2017	387
2018	272
2019 and later	1,366
Total	3,711

Leasing with the Parent Company as lessor

At December 31, 2013, future minimum payment receivables were distributed as follows:

Future minimum payment receivables

	Operating leases
2014	11
2015	5
2016	4
2017	1
2018	1
2019 and later	–
Total	22

The operating lease income is mainly income from the subleasing of real estate. See Notes to the consolidated financial statements, Note C27, "Leasing."

P25 INFORMATION REGARDING EMPLOYEES

Average number of employees

	2013		2012			
	Men	Women	Total	Men	Women	Total
Northern Europe & Central Asia ¹⁾²⁾	189	168	357	200	169	369
Middle East	217	27	244	238	29	267
Total	406	195	601	438	198	636
¹⁾ Of which in Sweden	189	168	357	200	169	369
²⁾ Of which in EU	189	168	357	200	169	369

Remuneration

Wages and salaries and social security expenses

	2013	2012
Wages and salaries	644	648
Social security expenses	380	355
Of which pension costs	246	190

Wages and salaries per geographical area

	2013	2012
Northern Europe & Central Asia ¹⁾²⁾	410	416
Middle East	234	232
Total	644	648
¹⁾ Of which in Sweden	410	416
²⁾ Of which in the EU	410	416

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

Remuneration to the Board of Directors and the President and CEO

See Notes to the consolidated financial statements, Note C28, "Information Regarding members of the Board of Directors, the Group management and employees."

Long-term variable remuneration

The Stock Purchase Plan

Compensation costs for all employees of the Parent Company amounted to SEK 22.1 million in 2013 (SEK 19.2 million in 2012).

P26 RELATED PARTY TRANSACTIONS

During 2013, various transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis.

Ericsson Nikola Tesla d.d.

Ericsson Nikola Tesla d.d. is a company providing the design, sales and service of telecommunications systems and equipment and an associated member of the Ericsson Group. Ericsson Nikola Tesla d.d. is located in Zagreb, Croatia. The Parent Company holds 49.07% of the shares.

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

Ericsson Nikola Tesla d.d.

	2013	2012
Related party transactions		
License revenues	12	8
Dividends	128	133
Related party balances		
Receivables	2	1

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees toward Ericsson Nikola Tesla d.d.

ST-Ericsson

ST-Ericsson was formed in 2009 as a joint venture, equally owned by Ericsson and STMicroelectronics.

In early 2013 the parents agreed to split up and close the joint venture. The company ST-Ericsson is winding down and all business has been transferred to parents or divested during 2013. In 2013, the Parent Company acquired the remaining shares in ST-Ericsson AT SA which is now a fully owned subsidiary.

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees towards ST-Ericsson.

ST-Ericsson

	2013	2012
Related party transactions		
License revenues	-	-
Dividends/Other current assets	23	-
Related party balances		
Receivables	-	-
Payables	204	-

Other related parties

For information regarding the remuneration of management, see Notes to the consolidated financial statements, Note C28, "Information regarding members of the Board of Directors, the Group management and employees."

P27 FEES TO AUDITORS

Fees to auditors

	PwC
2013	
Audit fees	22
Audit-related fees	8
Tax services fees	1
Other fees	10
Total	41
2012	
Audit fees	23
Audit-related fees	11
Tax services fees	1
Other fees	5
Total	40
2011	
Audit fees	18
Audit-related fees	8
Tax services fees	-
Other fees	12
Total	38

The allocation of fees to the auditors is based on the requirements in the Swedish Annual Accounts Act.

During the period 2011–2013, in addition to audit services, PwC provided certain audit-related services, tax and other services to the Parent Company. The audit-related services include quarterly reviews, SSAE 16 reviews and services in connection with the issuing of certificates and opinions and consultation on financial accounting. The tax services include general expatriate services and corporate tax compliance work. Other services include services related to acquisitions, operational effectiveness and assessments of internal control.

RISK FACTORS

You should carefully consider all the information in this Annual Report and in particular the risks and uncertainties outlined below. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our business. Any of the factors described below, or any other risk factors discussed elsewhere in this report, could have a material negative effect on our business, revenues, operating and after-tax results, financial condition, cash flow, liquidity, credit rating, marketshare, reputation, brand and/or our share price. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business. Furthermore, our operating results may have a greater variability than in the past and we may have difficulties in accurately predicting future developments. See also "Forward-Looking Statements."

MARKET, TECHNOLOGY AND BUSINESS RISKS

Challenging global economic conditions may adversely impact the demand and pricing for our products and services as well as limit our ability to grow.

Challenging global economic conditions could have adverse, wide-ranging effects on demand for our products and for the products of our customers. Adverse global economic conditions could cause operators and other customers to postpone investments or initiate other cost-cutting initiatives to improve their financial position. This could result in significantly reduced expenditures for network infrastructure and services, in which case our operating results would suffer. If demand for our products and services were to fall in the future, we could experience material adverse effects on our revenues, cash flow, capital employed and value of our assets and we could incur operating losses. Furthermore, if demand is significantly weaker or more volatile than expected, our credit rating, borrowing opportunities and costs as well as the trading price of our shares could be adversely impacted. When deemed necessary, we undertake specific restructuring or cost-saving initiatives; however, there are no guarantees that such initiatives will be sufficient, successful or executed in time to deliver any improvements in our earnings.

Should global economic conditions fail to improve, or worsen, other business risks we face could intensify and could also negatively impact the business prospects of operators and other customers. Some operators and other customers, in particular in markets with weak currencies, may incur borrowing difficulties and slower traffic development, which may negatively affect their investment plans and cause them to purchase less of our products and services.

The potential adverse effects of an economic downturn include:

- Reduced demand for products and services, resulting in increased price competition or deferrals of purchases, with lower revenues not fully compensated through reduced costs

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- Risks of excess and obsolete inventories and excess manufacturing capacity
- Risk of financial difficulties or failures among our suppliers
- Increased demand for customer finance, difficulties in collection of accounts receivable and increased risk of counter party failures
- Risk of impairment losses related to our intangible assets as a result of lower forecasted sales of certain products
- Increased difficulties in forecasting sales and financial results as well as increased volatility in our reported results
- A decline in the value in our pension plan assets and/or increased pension liabilities due to discount rate changes or other accounting or regulatory changes
- End user demand could also be adversely affected by reduced consumer spending on technology, changed operator pricing, security breaches and trust issues.

The telecommunications industry fluctuates and is affected by many factors, including the economic environment, and decisions made by operators and other customers regarding their deployment of technology and their timing of purchases.

The telecommunications industry has experienced downturns in the past in which operators substantially reduced their capital spending on new equipment. While we expect the network service provider equipment market and telecommunications services market to grow in the coming years, the uncertainty surrounding the global economic recovery may materially harm actual market conditions. Moreover, market conditions are subject to substantial fluctuation, and could vary geographically and across technologies. Even if global conditions improve, conditions in the specific industry segments in which we participate may be weaker than in other segments. In that case, our operating results, may be adversely affected.

If capital expenditures by operators and other customers is weaker than we anticipate, our revenues and profitability may be adversely affected. The level of demand from operators and other customers who buy our products and services can change quickly and can vary over short periods of time, including from month to month. Due to the uncertainty and variations in the telecommunications industry, accurately forecasting revenues, results, and cash flow remains difficult.

Sales volumes and gross margin levels are affected by the variation and short order time of our products and services.

Our sales to operators and other customers represent a mix of equipment, software and services, which normally generate different gross margins. We sell our own products as well as third party products, which normally have lower margins than our own products. As a consequence, our reported gross margin in a specific period will be affected by the overall mix of products and services as well as the relative content of third party products. Further, network expansions and upgrades have much shorter lead times for delivery than initial network build outs. Orders for such network expansions and upgrades are normally placed at short notice by customers, often less than a month in advance, and consequently variations in demand are difficult to forecast. As a result, changes in our product and service mix and the short order time for certain of our products may affect our ability to accurately forecast sales and margins or detect in advance whether actual results will deviate from market consensus. Short-term variation could have a material adverse effect on our business, operating results, financial condition and cash flow.

We may not be able to properly respond to market trends in the industries in which we operate, including the ongoing convergence of the telecom, data and media industries, which may harm our market position relative to our competitors.

We are affected by market conditions and trends within the industries in which we operate, including the convergence of the telecom, data and media industries. Convergence is largely driven by technological development related to IP-based communications. This has changed the competitive landscape and affects our objective-setting, risk assessment and strategies. Competitors new to our business may enter this new business context and negatively impact our market share in selected areas. If we fail to understand the market development, or fail to acquire the necessary competencies to develop and sell products, services and solutions that are competitive in this changing business environment, our business, operating results and financial condition will suffer.

Our business depends upon the continued growth of mobile communications and the acceptance of new services. If growth slows or new services do not succeed, operators' investment in networks may slow or stop, harming our business.

A substantial portion of our business depends on the continued growth of mobile communications in terms of both the number of subscriptions and usage per subscriber, which in turn drives the continued deployment and expansion of network systems by our customers. If operators fail to increase the number of subscribers and/or stimulate increased usage, our business and operating results could be materially adversely affected. Also, if operators fail to monetize new services, fail to introduce new business models or experience a decline in operator revenues or profitability, their willingness to further invest in their network systems may decrease which will reduce their demand for our products and services and have an adverse effect on our business, operating results and financial condition.

Fixed and mobile networks converge and new technologies, such as IP and broadband, enable operators to deliver a range of new types of services in both fixed and mobile networks. We are dependent upon market acceptance of such services and the outcome of regulatory and standardization activities in this field, such as spectrum allocation. If delays in standardization, regulation, or market acceptance occur, this could adversely affect our business, operational results and financial condition.

We face intense competition from our existing competitors as well as new entrants, including IT companies entering the telecommunications market, and this could materially adversely affect our results.

The markets in which we operate are highly competitive in terms of price, functionality, service quality, customization, timing of development, and the introduction of new products and services. We face intense competition from significant competitors, many of which are very large, with substantial technological and financial resources and established relationships with operators. Further, certain competitors, Chinese companies in particular, have become relatively stronger in recent years. We may also encounter increased competition from new market entrants, alternative technologies or due to evolving industry standards. In particular, we may face competition from large IT companies entering the telecommunications market who benefit from economies of scale due to being active in several industries. We cannot assure that we will be able to compete successfully with these companies. Our competitors may implement new technologies before we do, offer more attractively priced or enhanced products, services or solutions, or they may offer other incentives that we do not provide. Some of our competitors may also have greater resources in certain business segments or geographic markets than we do. Increased competition could result in reduced profit margins, loss of market share, increased research and development costs as well as increased sales and marketing expenses. Traffic development on cellular networks could be affected if more traffic is offloaded to Wi-Fi networks. Further, alternative services provided over-the-top have profound effects on operator voice/ SMS revenues with possible reduced capital expenses consequences.

Additionally, we operate in markets characterized by rapidly changing technology. This results in continuous price erosion and increased price competition for our products and services. If our counter measures, including enhanced products and business models or cost reductions cannot be achieved or do not occur in a timely manner, there could be adverse impacts on our business, operating results, financial condition and market share.

Vendor consolidation may lead to stronger competitors who are able to benefit from integration, scale and greater resources.

Industry convergence and consolidation among equipment and services suppliers could potentially result in stronger competitors that are competing as end-to-end suppliers as well as competitors more specialized in particular areas. Consolidation may also result in competitors with greater resources than we have or in reduction of our current scale advantages. This could have a materially adverse effect on our business, operating results, financial condition and market share.

A significant portion of our revenue is currently generated from a limited number of key customers, and operator consolidation may increase our dependence on key customers.

We derive most of our business from large, multi-year agreements with a limited number of significant customers. Many of these agreements are opened up on a yearly basis to renegotiate the price for our products and services and do not contain committed purchase volumes. Although no single customer represents more than 8% of our sales in 2013, our ten largest customers accounted for 44% of our sales in 2013. A loss of or a reduced role with a key customer could have a significant adverse impact on sales, profit and market share for an extended period.

In recent years, network operators have undergone significant consolidation, resulting in fewer operators with activities in several

RISK FACTORS CONTINUED

countries. This trend is expected to continue, and intra-country consolidation is likely to accelerate as a result of competitive pressure. A market with fewer and larger operators will increase our reliance on key customers and may negatively impact our bargaining position and profit margins. Moreover, if the combined companies operate in the same geographic market, networks may be shared and less network equipment and fewer associated services may be required. Network investments could be delayed by the consolidation process, which may include, among others, actions relating to merger or acquisition agreements, securing necessary regulatory approvals, or integration of businesses. Network operators have started to share parts of their network infrastructure through cooperation agreements rather than legal consolidations, which may adversely affect demand for network equipment. Accordingly, operator consolidation may have a material adverse effect on our business, operating results and financial condition.

Certain long-term agreements with customers still include commitments to future price reductions, requiring us to constantly manage and control our cost base.

Long-term agreements with our customers are typically awarded on a competitive bidding basis. In some cases, such agreements also include a commitment to future price reductions. In order to maintain our gross margin with such price reductions, we continuously strive to reduce the costs of our products through design improvements, negotiation of better purchase prices from our suppliers, allocation of more production to low-cost countries and increased productivity in our own production. However, there can be no assurance that our actions to reduce costs will be sufficient or quick enough to maintain our gross margin in such contracts, which may have a material adverse effect on our business, operating results and financial condition.

Growth of our managed services business is difficult to predict, and requires taking significant contractual risks.

Operators increasingly outsource parts of their operations to reduce cost and focus on new services. To address this opportunity, we offer operators various services in which we manage their networks. The growth rate in the managed services market is difficult to forecast and each new contract carries a risk that transformation and integration of the operations will not be as fast or smooth as planned. Additionally, early contract margins are generally low and the mix of new and old contracts may negatively affect reported results in a given period. Contracts for such services normally cover several years and generate recurring revenues. However, contracts have been, and may in the future be, terminated or reduced in scope, which has negative impacts on sales and earnings. While we believe we have a strong position in the managed services market, competition in this area is increasing, which may have adverse effects on our future growth and profitability.

We depend upon the development of new products and enhancements to our existing products, and the success of our substantial research and development investments is uncertain. Rapid technological and market changes in our industry require us to make significant investments in technological innovation. We invest significantly in new technology, products and solutions. In order for us to be successful, those technologies, products and solutions must be accepted by relevant standardization bodies and by the industry as a whole. The failure of our research and development efforts to be technically or commercially successful, could have adverse effects on our business, operating results and financial condition. If we invest in the development of technologies, products and solutions that do not function as expected, are not adopted by the industry, are not ready in time, or are not successful in the marketplace, our sales and earnings may materially suffer. Additionally, it is common for research and development projects to encounter delays due to unforeseen problems. Delays in production may increase the cost of research and development efforts and put us at a disadvantage against our competition. This could have a material adverse effect upon our business, operating results and financial condition.

We engage in acquisitions and divestments which may be disruptive and require us to incur significant expenses.

In addition to in-house innovation efforts, we make strategic acquisitions in order to obtain various benefits such as reduced time-to-market, access to technology and competence, increased scale or to broaden our product portfolio or customer base. Future acquisitions could result in the incurrence of contingent liabilities and an increase in amortization expenses related to goodwill and other intangible assets, which could have a material adverse effect upon our business, operating results, financial condition and liquidity.

Risks we could face with respect to acquisitions include:

- Difficulties in the integration of the operations, technologies, products and personnel of the acquired company
- Risks of entering markets in which we have no or limited prior experience
- Potential loss of employees
- Diversion of management's attention away from other business concerns
- Expenses of any undisclosed or potential legal liabilities of the acquired company.

From time to time we also divest parts of our business to optimize our product portfolio or operations. Any decision to dispose of or otherwise exit businesses may result in the recording of special charges, such as workforce reduction costs and industry- and technology-related write-offs. We cannot assure that we will be successful in consummating future acquisitions or divestments on favorable terms or at all. The risks associated with such acquisitions and divestments could have a material adverse effect upon our business, operating results, financial condition and liquidity.

We are in, and may enter into new, JV arrangements and have, and may have new, partnerships which may not be successful and expose us to future costs.

Our JV and partnering arrangements may fail to perform as expected for various reasons, including an incorrect assessment of our needs, our inability to take action without the approval of our partners or the capabilities or financial stability of our strategic partners. Our ability to work with these partners or develop new products and solutions may become constrained, which could harm our competitive position in the market.

Additionally, our share of any losses from or commitments to contribute additional capital to such partnerships may adversely affect our business, operating results, financial condition and cash flow.

We rely on a limited number of suppliers of components, production capacity and R&D and IT services, which exposes us to supply disruptions and cost increases.

Our ability to deliver according to market demands and contractual commitments depends significantly on obtaining a timely and adequate supply of materials, components, production capacity and other vital services on competitive terms. Although we strive to avoid single-source supplier solutions, this is not always possible. Accordingly, there is a risk that we will be unable to obtain key supplies we need to produce our products and provide our services on commercially reasonable terms, or at all. Failure by any of our suppliers could interrupt our product or services supply or operations and significantly limit sales or increase our costs. To find an alternative supplier or redesign products to replace components may take significant time which could cause significant delays or interruptions in the delivery of our products and services. We have from time to time experienced interruptions of supply and we may experience such interruptions in the future.

Furthermore, our procurement of supplies requires us to predict future customer demands. If we fail to anticipate customer demand properly, an over or under supply of components and production capacity could occur. In many cases, some of our competitors utilize the same manufacturers and if they have purchased capacity ahead of us we could be blocked from acquiring the needed products. This factor could limit our ability to supply our customers or could increase costs. At the same time, we commit to certain capacity levels or component quantities, which, if unused, will result in charges for unused capacity or scrapping costs. We are also exposed to financial counterpart risks to suppliers when we pay in advance for supplies. Such supply disruptions and cost increases may negatively affect our business, operating results and financial condition.

Product or service quality issues could lead to reduced revenue and gross margins and declining sales to existing and new customers.

Sales contracts normally include warranty undertakings for faulty products and often include provisions regarding penalties and/or termination rights in the event of a failure to deliver ordered products or services on time or with required quality. Although we undertake a number of quality assurance measures to reduce such risks, product quality or service performance issues may negatively affect our reputation, operating results and financial condition. If significant warranty obligations arise due to reliability or quality issues, our operating results and financial position could be negatively impacted by costs associated with fixing software or hardware defects, high service and warranty

expenses, high inventory obsolescence expense, delays in collecting accounts receivable or declining sales to existing and new customers.

Due to having a significant portion of our costs in SEK and revenues in other currencies, our business is exposed to foreign exchange fluctuations that could negatively impact our revenues and operating results.

We incur a significant portion of our expenses in SEK. As a result of our international operations, we generate, and expect to continue to generate, a significant portion of our revenue in currencies other than SEK. To the extent we are unable to match revenue received in foreign currencies with costs paid in the same currency, exchange rate fluctuations could have a negative impact on our consolidated income statement, balance sheet and cash flows when foreign currencies are exchanged or translated to SEK, which increases volatility in reported results.

As market prices are predominantly established in USD or EUR, we presently have a net revenue exposure in foreign currencies which means that a stronger SEK exchange rate would generally have a negative effect on our reported results. Our attempts to reduce the effects of exchange rate fluctuations through a variety of hedging activities may not be sufficient or successful, resulting in an adverse impact on our results and financial condition.

Our ability to benefit from intellectual property rights (IPR) which are critical to our business may be limited by changes in regulation limiting patents, inability to prevent infringement, the loss of licenses from third parties, infringement claims brought against us by competitors and others and changes in the area of open standards, especially in light of recent attention on licensing of open standard patents.

Although we have a large number of patents, there can be no assurance that they will not be challenged, invalidated, or circumvented, or that any rights granted in relation to our patents will in fact provide us with competitive advantages.

We utilize a combination of trade secrets, confidentiality policies, nondisclosure and other contractual arrangements in addition to relying on patent, copyright and trademark laws to protect our intellectual property rights. However, these measures may not be adequate to prevent or deter infringement or other misappropriation. In addition, we rely on many software patents, and limitations on the patentability of software may materially affect our business.

Moreover, we may not be able to detect unauthorized use or take appropriate and timely steps to establish and enforce our proprietary rights. In fact, existing legal systems of some countries in which we conduct business offer only limited protection of intellectual property rights, if at all. Our solutions may also require us to license technologies from third parties. It may be necessary in the future to seek or renew licenses and there can be no assurance that they would be available on acceptable terms, or at all. Moreover, the inclusion in our products of software or other intellectual property licensed from third parties on a non-exclusive basis could limit our ability to protect proprietary rights in our products.

Many key aspects of telecommunications and data network technology are governed by industry-wide standards usable by all market participants. As the number of market entrants and the complexity of technology increases, the possibility of functional overlap and inadvertent infringement of intellectual property rights also increases. Third parties have asserted, and may assert in the future, claims, directly against us or against our customers,

alleging infringement of their intellectual property rights. Defending such claims may be expensive, time-consuming and divert the efforts of our management and/or technical personnel. As a result of litigation, we could be required to pay damages and other compensation directly or to indemnify our customers for such damages and other compensation, develop non-infringing products/technology or enter into royalty or licensing agreements. However, we cannot be certain that such licenses will be available to us on commercially reasonable terms or at all, and such judgments could have a materially adverse effect on our business, reputation, operating results and financial condition.

Recent attention on licensing of patents necessary to conduct an open standard (e.g. 2G, 3G and 4G technology), investigations held by antitrust authorities and legislative change could potentially affect Ericsson's ability to benefit from its patent portfolio in the area of such open standards, which could have a material adverse effect on our business, reputation, operating results and financial condition. Ericsson holds a leading patent portfolio in open standards and possible changes regarding such a portfolio may materially affect our business.

We are involved in lawsuits and investigations which, if determined against us, could require us to pay substantial damages, fines and/or penalties.

In the normal course of our business we are involved in legal proceedings. These lawsuits include such matters as commercial disputes, claims regarding intellectual property, antitrust, tax and labour disputes. Litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular lawsuit could have a material adverse effect on our business, operating results, financial condition and reputation.

As a publicly listed company, Ericsson may be exposed to lawsuits in which plaintiffs allege that the Company or its officers have failed to comply with securities laws, stock market regulations or other laws, regulations or requirements. Whether or not there is merit to such claims, the time and costs incurred to defend the Company and its officers and the potential settlement or compensation to the plaintiffs could have significant impact on our reported results and reputation. For additional information regarding certain of the lawsuits in which we are involved, see "Legal Proceedings" in the Board of Directors' Report.

Our operations are complex and several critical operations are centralized in a single location. Any disruption of our operations, whether due to natural or man-made events, may be highly damaging to the operation of our business.

Our business operations rely on complex operations and communications networks, which are vulnerable to damage or disturbance from a variety of sources. Having outsourced a significant portion of our IT operations, we depend partly on security and reliability measures of external companies. Regardless of protection measures, our systems and communications networks are susceptible to disruption due to

failure, vandalism, computer viruses, security breaches, natural disasters, power outages and other events. We also have a concentration of operations on certain sites, including R&D, production, network operation centers, and logistic centers and shared services centers, where business interruptions could cause material damage and costs. The delivery of goods from suppliers, and to customers, could also be hampered for the reasons stated above. Interruptions to our systems and communications may have an adverse effect on our operations and financial condition.

Cyber security incidents affecting our business may have a material adverse effect on our business, financial condition, reputation and brand.

Ericsson's business operations involve areas that are particularly vulnerable to cyber security incidents such as data breaches, intrusions, espionage, know-how and data privacy infringements, leakage and general malfeasance. Examples of these areas include, among others, research and development, managed services, usage of cloud solutions, software development, lawful interception and product engineering. Any cyber security incident including unintended use, involving our operations, product development, services, our third party providers or installed product base, could cause severe harm to Ericsson and could have a material adverse effect on our business, financial condition, reputation and brand.

Ericsson relies heavily on third parties to whom we have outsourced significant aspects of our IT infrastructure, product development and engineering services. While we have taken precautions relating to the selection, integration and ongoing management of these third parties, any event or attack that is caused as a result of vulnerabilities in their operations or products supplied to us could have a material adverse effect upon Ericsson, our business, financial condition, reputation and brand, potentially slowing operations, leaking valuable intellectual property or damaging our products which have been installed in our customers' networks.

We must continue to attract and retain highly qualified employees to remain competitive.

We believe that our future success largely depends on our continued ability to hire, develop, motivate and retain engineers and other qualified personnel needed to develop successful new products, support our existing product range and provide services to our customers.

Competition for skilled personnel and highly qualified managers in the telecommunications industry remains intense. We are continuously developing our corporate culture, remuneration, promotion and benefits policies as well as other measures aimed at empowering our employees and reducing employee turnover. However, there are no guarantees that we will be successful in attracting and retaining employees with appropriate skills in the future, and failure in retention and recruiting could have a material adverse effect on our business and brand.

If our customers' financial conditions decline, we will be exposed to increased credit and commercial risks.

After completing sales to customers, we may encounter difficulty collecting accounts receivables and could be exposed to risks associated with uncollectable accounts receivable. We regularly assess the credit worthiness of our customers and based on that we determine a credit limit for each one of them. Challenging economic conditions have impacted some of our customers' ability to pay their accounts receivables. Although our credit losses have historically been low and we have policies and procedures for managing customer finance credit risk we may be unable to avoid future losses on our trade receivables. We have also experienced demands for customer financing, and in adverse financial markets or more competitive environments, those demands may increase. Upon the financial failure of a customer, we may experience losses on credit extended and loans made to such customer, losses relating to our commercial risk exposure, and the loss of the customer's ongoing business. If customers fail to meet their obligations to us, we may experience reduced cash flows and losses in excess of reserves, which could materially adversely impact our operating results and financial condition.

We rely on various capital sources for short-term and long-term capital for the funding of our business. Should such capital become unavailable or available in insufficient amounts or unreasonable terms, our business, financial condition and cashflow may materially suffer.

If we do not generate sufficient amounts of capital to support our operations, service our debt and continue our research and development and customer finance programs, or if we cannot raise sufficient amounts of capital at the required times and on the set terms, our business is likely to be adversely affected. Access to funding may decrease or become more expensive as a result of our operational and financial condition, market conditions, including financial conditions in the Eurozone, or due to deterioration in our credit rating. There can be no assurance that additional sources of funds that we may need from time to time, will be available or available on reasonable terms. If we cannot access capital on a commercially viable basis, our business, financial condition and cashflow could materially suffer.

Impairment of goodwill may negatively impact financial condition.

An impairment of goodwill or other intangible assets could adversely affect our financial condition or results of operations. We have a significant amount of goodwill and intangible assets; for example, patents, customer relations, trademarks and software. Goodwill is the only intangible asset the company has recognized to have indefinite useful life.

Other intangible assets are mainly amortized on a straight-line basis over their estimated useful lives, but for no more than ten years, and are reviewed for impairment whenever events such as product discontinuances, product dispositions or other changes in circumstances indicate that the carrying amount may not be wholly recoverable. Those not yet in use are tested for impairment annually.

Historically, we have recognized impairment charges related to intangible assets mainly due to restructuring. Additional impairment charges may be incurred in the future that could be significant due to various reasons, including restructuring actions or adverse market conditions that are either specific to us or the broader telecommunications industry or more general in nature and that could have an adverse effect on our operating results and financial condition.

Negative deviations in actual cash flows compared to estimated cash flows as well as new estimates that indicate lower future cash flows might result in recognition of impairment charges. Estimates require management judgment as well as the definition of cash-generating units for impairment testing purposes. Other judgments might result in significantly different results and may differ from the actual financial condition in the future.

REGULATORY, COMPLIANCE AND CORPORATE GOVERNANCE RISKS

Our business may suffer as a result of changes in laws or regulations which could subject us to liability, increase costs, or reduce product demand.

Telecommunications is an industry which is subject to regulations. Changes to these regulations may adversely affect both our customers' and our own operations. For example, regulations imposing more stringent, time-consuming or costly planning and zoning requirements or building approvals for radio base stations and other network infrastructure could adversely affect the timing and costs of network construction or expansion, and ultimately the commercial launch and success of these networks. Similarly, tariff and roaming regulations or rules on network neutrality could also affect operators' ability or willingness to invest in network infrastructure, which in turn could affect the sales of our systems and services. Additionally, delay in radio frequency spectrum allocation, and allocation between different types of usage may adversely affect operator spending or force us to develop new products to be able to compete.

Further, we develop many of our products and services based on existing regulations and technical standards. Changes to existing regulations and technical standards, or the implementation of new regulations and technical standards relating to products and services not previously regulated, could adversely affect our development efforts by increasing compliance costs and causing delay. Demand for those products and services could also decline. Regulatory changes in license fees, environmental, health and safety, privacy and other regulatory areas may increase costs and restrict our operations or the operations of network operators and service providers. Also indirect impacts of such changes and regulatory changes in other fields, such as pricing regulations, could have an adverse impact on our business even though the specific regulations may not apply directly to our products or us.

Ericsson may fail or be unable to comply with laws or regulations and could experience adverse rulings in enforcement or other proceedings, which could have a material adverse impact on our business, financial condition and brand.

Our substantial international operations are subject to uncertainties which could affect our operating results.

We conduct business throughout the world and are subject to the effects of general global economic conditions as well as conditions unique to specific countries or regions. We have customers in more than 180 countries, with a significant proportion of our sales to emerging markets in the Asia Pacific region, Latin America, Eastern Europe, the Middle East and Africa.

Our extensive operations are subject to numerous additional risks, including civil disturbances, economic and political instability, the imposition of exchange controls, economies which are subject to significant fluctuations, nationalization of private assets or other governmental actions

affecting the flow of goods and currency, and difficulty of enforcing agreements and collecting receivables through local legal systems. Further, in certain markets in which we operate, there is a risk of protectionist governmental measures implemented to assist domestic market participants at the expense of foreign competitors. The implementation of such measures could adversely affect our sales or our ability to purchase critical components.

We must always comply with relevant export control regulations and sanctions or other trade embargoes in force, not only at the time of sale but also at the time of delivery. The political situation in parts of the world, particularly in the Middle East, remains uncertain and the level of sanctions are still high. A universal element of these sanctions is the financial restrictions with respect to individuals and/or legal entities, but sanctions can also restrict certain exports and ultimately lead to a complete trade embargo towards a country. In particular, the sanctions towards Iran are still significant in scope, although in part temporarily and conditionally recently relieved. The EU exemption for certain standard telecom equipment is still maintained. Even so, there is a risk in many of these countries of unexpected changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls, or other governmental policies which could limit our operations and decrease our profitability. Further export control regulations, sanctions or other forms of trade restrictions imposed on countries in which we are active may result in a reduction of commitment in those countries. The need to terminate activities as a result of further trade restrictions may also expose us to customer claims and other actions. Although we seek to comply with all such regulations, there can be no assurance that we are, or will be in the future, compliant with all relevant regulations and such violations, even unintentional violations, could have material adverse effects on our business, operating results, reputation and brand.

There has been a growing concern reported by media and others, that certain countries may use features of their telecommunications systems in violation of human rights. This may adversely affect the telecommunications business and may have a negative impact on our reputation and brand.

As a result of the credit crisis in Europe, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual member states. These and other concerns could in worst case lead to the re-introduction of individual currencies in one or more member states, or, in more extreme circumstances, the possible dissolution of the euro entirely. These potential developments, or market perceptions concerning these and related issues, could adversely affect our operations and have a material adverse effect on our business, operating results and financial condition.

We may fail to comply with our corporate governance standards which could negatively affect our business, operating results, financial condition, reputation and our brand.

We are subject to corporate governance laws and regulations and are also committed to several corporate responsibility and sustainability initiatives. In some of the countries where we operate, corruption risks are high. In addition, there is higher focus on anticorruption, with changed legislation in many countries. To ensure that our operations are executed in accordance with applicable requirements, our management system includes a Code of Business Ethics, a Code of Conduct and a Sustainability Policy, as well as other policies and directives to govern our processes and operations. Our commitment to apply the UN Global Compact principles, the UN Guiding Principles for Business and Human Rights and principles of the Partnering Against Corruption Initiative to our operation cannot fully prevent unintended or unlawful use of our technology by non-democratic regimes, corruption or violations of our Code of Conduct in the supply chain. While we attempt to monitor and audit internal compliance with the policies and directives as well as our suppliers' adherence to our Code of Conduct and strive for continuous improvements, we cannot provide any assurances that violations will not occur which could have material adverse effects on our business, operating results, reputation and brand.

Failure to comply with environmental, health and safety regulations in many jurisdictions may expose us to significant penalties and other sanctions.

We are subject to certain environmental, health and safety laws and regulations that affect our operations, facilities and products in each of the jurisdictions in which we operate. While we believe that we are in compliance with all material laws and regulations related to the environment, health, and safety, we can provide no assurance that we have been, are, or will in the future be compliant with these regulations. If we have failed or fail to comply with these regulations, we could be subject to significant penalties and other sanctions that could have a material adverse effect on our business, operating results, financial condition, reputation and brand. Additionally, there is a risk that we may have to incur expenditures to cover environmental and health liabilities to maintain compliance with current or future laws and regulations or to undertake any necessary remediation. It is difficult to reasonably estimate the future impact of environmental matters, such as climate change and weather events, including potential liabilities. This is due to several factors, particularly the length of time often involved in resolving such matters. Adverse future events, regulations, or judgments could have a material adverse effect on our business, operating results, financial condition, reputation and brand.

Potential health risks related to electromagnetic fields may subject us to various product liability claims and result in regulatory changes.

The mobile telecommunications industry is subject to claims that mobile handsets and other devices that generate electromagnetic fields expose users to health risks. At present, a substantial number of scientific studies conducted by various independent research bodies have indicated that electromagnetic fields, at levels within the limits prescribed by public health authority safety standards and recommendations, cause no adverse effects to human health. However, any perceived risk or new scientific findings of adverse health effects from mobile communication devices and equipment could adversely affect us through a reduction in sales or through liability claims. Although Ericsson's products are designed to comply with all current safety standards and recommendations regarding applicable electromagnetic fields, we cannot guarantee that we will not become the subject of product liability claims or be held liable for such claims or be required to comply with future regulatory changes that may have an adverse effect on our business, operating results, financial condition, reputation and brand.

Regulations related to “conflict minerals” may cause us to incur additional expenses, and may make our supply chain more complex.

In 2012, the US Securities and Exchange Commission (the “SEC”) adopted a new rule requiring disclosures beginning in 2014 of specified minerals (“conflict minerals”) that are necessary to the functionality or production of products manufactured or contracted to be manufactured by companies registered with the SEC, whether or not these products or their components are manufactured by third parties. While we believe that we will be able to fulfill these requirements without materially affecting our costs or access to materials we can provide no assurance that there will not be material costs associated with complying with the disclosure requirements.

While we work and strive to be able to sufficiently verify the origins of these minerals, our supply chain is complex, and we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the due diligence procedures that we implement, which may harm our reputation. In addition we may encounter challenges if customers require that all of the components of our products be certified as conflict-free. These new disclosure requirements may negatively affect our business, operating results, financial condition, reputation and brand.

RISKS ASSOCIATED WITH OWNING ERICSSON SHARES

Our share price has been and may continue to be volatile, especially as technology companies, securities and markets as a whole remain volatile.

Our share price has been volatile due to various factors, including our operating performance as well as the high volatility in the securities markets generally and volatility in telecommunications and technology companies' securities in particular. Our share price is also likely to be affected by future developments in our market, our reported financial results and the expectations of financial analysts, as well as statements and market speculation regarding our future prospects or the timing or content of any public communications, including reports of operating results, by us or our competitors.

Factors other than our financial results that may affect our share price include, but are not limited to:

- A weakening of our brand name or other circumstances with adverse effects on our reputation
- Announcements by our customers, competitors or us regarding capital spending plans of our customers
- Financial difficulties for our customers
- Awards of large supply or service contracts
- Speculation in the press or investment community about the business level or growth in the telecommunications market
- Technical problems, in particular those relating to the introduction and viability of new network systems, including LTE/4G and new platforms such as the RBS 6000 (multi-standard radio base station) platform
- Actual or expected results of ongoing or potential litigation
- Announcements concerning bankruptcy or investigations into the accounting procedures of ourselves or other telecommunications companies
- Our ability to forecast and communicate our future results in a manner consistent with investor expectations.

Currency fluctuations may adversely affect share value or value of dividends.

Because our shares are quoted in SEK on NASDAQ OMX Stockholm (our primary stock exchange), but in USD on NASDAQ New York (ADSs), fluctuations in exchange rates between SEK and USD may affect the value of our shareholders' investments. In addition, because we pay cash dividends in SEK, fluctuations in exchange rates may affect the value of distributions when converted into other currencies. An increasing part of the trade in our shares is carried out on alternative exchanges or markets, which may lead to less accurate share price information on NASDAQ OMX Stockholm or NASDAQ New York.

AUDITOR'S REPORT

To the Annual General Meeting of the shareholders
of Telefonaktiebolaget LM Ericsson (publ),
Corporate Identity Number 556016-0680

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Telefonaktiebolaget LM Ericsson (publ) for the year 2013. (The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 36–129.)

Responsibilities of the Board of Directors and the President and CEO for the annual accounts and consolidated accounts

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President and CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President and CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of

the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President and CEO of Telefonaktiebolaget LM Ericsson (publ) for the year 2013.

Responsibilities of the Board of Directors and the President and CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President and CEO are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President and CEO is liable to the company. We also examined whether any member of the Board of Directors or the President and CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President and CEO be discharged from liability for the financial year.

Stockholm, March 5, 2014

PricewaterhouseCoopers AB

Peter Nyllinge

Authorized Public Accountant

FORWARD-LOOKING STATEMENTS

This Annual Report 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," "estimate," "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
- 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:

- Challenging global economic conditions may adversely impact the demand and pricing for our products and services as well as limit our ability to grow.
- The telecommunications industry fluctuates and is affected by many factors, including the economic environment, and decisions made by operators and other customers regarding their deployment of technology and their timing of purchases.
- Sales volumes and gross margin levels are affected by the variation and short order time of our products and services.
- We may not be able to properly respond to market trends in the industries in which we operate, including the ongoing convergence of the telecom, data and media industries, which may harm our market position relative to our competitors.
- Our business depends upon the continued growth of mobile communications and the acceptance of new services. If growth slows or new services do not succeed, operators' investment in networks may slow or stop, harming our business.
- We face intense competition from our existing competitors as well as new entrants, including IT companies entering the telecommunications market, and this could materially adversely affect our results.
- Vendor consolidation may lead to stronger competitors who are able to benefit from integration, scale and greater resources.
- A significant portion of our revenue is currently generated from a limited number of key customers, and operator consolidation may increase our dependence on key customers.
- Certain long-term agreements with customers still include commitments to future price reductions, requiring us to constantly manage and control our cost base.
- Growth of our managed services business is difficult to predict, and requires taking significant contractual risks.
- We depend upon the development of new products and enhancements to our existing products, and the success of our substantial research and development investments is uncertain.
- We engage in acquisitions and divestments which may be disruptive and require us to incur significant expenses.
- We are in, and may enter into new JV arrangements and have, and may have new, partnerships which may not be successful and expose us to future costs.
- We rely on a limited number of suppliers of components, production capacity and R&D and IT services, which exposes us to supply disruptions and cost increases.
- Product or service quality issues could lead to reduced revenue and gross margins and declining sales to existing and new customers.
- Due to having a significant portion of our costs in SEK and revenues in other currencies, our business is exposed to foreign exchange fluctuations that could negatively impact our revenues and operating results.
- Our ability to benefit from intellectual property rights (IPR) which are critical to our business may be limited by changes in regulation limiting patents, inability to prevent infringement, the loss of licenses from third parties, infringement claims brought against us by competitors and others and changes in the area of open standards, especially in light of recent attention on licensing of open standard patents.
- We are involved in lawsuits and investigations which, if determined against us, could require us to pay substantial damages, fines and/or penalties.
- Our operations are complex and several critical operations are centralized in a single location. Any disruption of our operations, whether due to natural or man-made events, may be highly damaging to the operation of our business.

- > Cyber security incidents affecting our business may have a material adverse effect on our business, financial condition, reputation and brand.
- > We must continue to attract and retain highly qualified employees to remain competitive.
- > If our customers' financial conditions decline, we will be exposed to increased credit and commercial risks.
- > We rely on various capital sources for short-term and long-term capital for the funding of our business. Should such capital become unavailable or available in insufficient amounts or unreasonable terms, our business, financial condition and cashflow may materially suffer.
- > Impairment of goodwill may negatively impact financial condition.
- > Our business may suffer as a result of changes in laws or regulations which could subject us to liability, increase costs, or reduce product demand.
- > Our substantial international operations are subject to uncertainties which could affect our operating results.
- > We may fail to comply with our corporate governance standards which could negatively affect our business, operating results, financial condition, reputation and our brand.
- > Failure to comply with environmental, health and safety regulations in many jurisdictions may expose us to significant penalties and other sanctions.
- > Potential health risks related to electromagnetic fields may subject us to various product liability claims and result in regulatory changes.
- > Regulations related to "conflict minerals" may cause us to incur additional expenses, and may make our supply chain more complex
- > Our share price has been and may continue to be volatile, especially as technology companies, securities and markets as a whole remain volatile.
- > Currency fluctuations may adversely affect share value or value of dividends.

Certain of these risks and uncertainties are described further in "Risk factors." We undertake no obligation to publicly update or revise any forward-looking statements included in this Annual Report, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

WORKING LIFE IN THE NETWORKED SOCIETY

Working life is changing. Globalization and other powerful trends are transforming the workplace into a global arena where virtual teams operate across organizational and geographic boundaries. At the same time, social media and communication services are eroding the borders between private and professional lives. Open innovation and crowd involvement are also changing the mechanics of business development.

Digitalization and information flows are enabling organizations to work in new ways. This continues to create fundamental changes in working life and the activities we engage in. Communication services provide us with constant access to work networks. The removal of restrictions of time and location enable people to perform effectively and conveniently in a global working environment.



CORPORATE GOVERNANCE REPORT 2013

Corporate governance describes how rights and responsibilities are distributed among corporate bodies according to applicable laws, rules and internal processes. Corporate governance also defines the decision-making systems and structure through which owners directly or indirectly control a company.



Building trust, both within an organization and in relation to external stakeholders, is a key factor for successful business operations. Good corporate governance forms the basis for building a robust corporate culture throughout a global organization. Ericsson's corporate governance work focuses both on establishing efficient and reliable controls and procedures and on establishing a global business culture where business is conducted with integrity, applying Ericsson's core values: professionalism, respect and perseverance.

One of the Board of Directors' tasks is to support Group management and to exercise critical review of its work. As Chairman of the Board, I therefore work to enable an open and meaningful dialogue between the Board and the Group management. I believe that this dialogue is crucial to allow the Board to adequately set Ericsson's strategy and to add value to and exercise due control of Ericsson's business operations.

I am confident that the continuous corporate governance focus within Ericsson builds trust, which in turn generates shareholder value.

Leif Johansson
Chairman of the Board of Directors



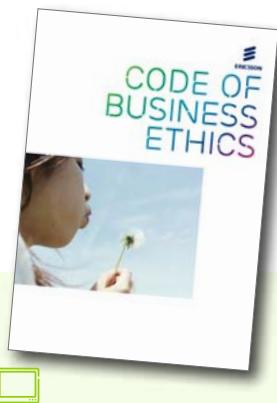
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This Corporate Governance Report is rendered as a separate report added to the Annual Report in accordance with the Annual Accounts Act ((SFS 1995:1554) Chapter 6, Sections 6 and 8) and the Swedish Corporate Governance Code. The report has been reviewed by Ericsson's auditor in accordance with the Annual Accounts Act. A report from the auditor is appended hereto.

KEY EVENTS IN 2013

- > Election of Nora Denzel, Kristin Skogen Lund and Pär Östberg as new members of the Board of Directors
- > Establishment of Group Function Business Excellence and Common Functions
- > Further improvement of Board training through introducing bi-annual Board Strategic Days



The Code of Business Ethics can be found on Ericsson's website.

REGULATION AND COMPLIANCE

External rules

As a Swedish public limited liability company with securities quoted on NASDAQ OMX Stockholm as well as on NASDAQ New York, Ericsson is subject to a variety of rules that affect its governance. Major external rules include:

- The Swedish Companies Act
- The Rule Book for issuers of NASDAQ OMX Stockholm
- The Swedish Corporate Governance Code (the "Code")
- NASDAQ Stock Market Rules, including applicable NASDAQ New York corporate governance requirements (subject to certain exemptions principally reflecting mandatory Swedish legal requirements)
- Applicable requirements of the US Securities and Exchange Commission (the "SEC").

Internal rules

In addition, to ensure compliance with legal and regulatory requirements and the high standards that we set for ourselves, Ericsson has adopted internal rules that include:

- A Code of Business Ethics
- Group Steering Documents, including Group policies and directives, instructions and business processes for approval, control and risk management
- A Code of Conduct, to be applied in product development, production, supply and support of Ericsson products and services worldwide.

The articles of association and the work procedure for the Board of Directors also include internal corporate governance rules.

Compliance with the Swedish Corporate Governance Code

Ericsson is committed to complying with best-practice corporate governance on a global level wherever possible. This includes continued compliance with the Code. Ericsson does not report any deviations from the rules of the Code in 2013. The Code is published on the website of the Swedish Corporate Governance Board which administers the Code: www.corporategovernanceboard.se.

Compliance with applicable stock exchange rules

In 2013, there has been no infringement of applicable stock exchange rules and no breach of good practice on the securities market reported by the stock exchange's disciplinary committee or the Swedish Securities Council.

Code of Business Ethics

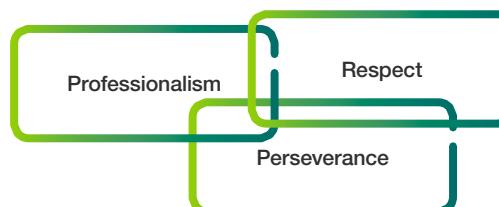
Ericsson's Code of Business Ethics summarizes the Group's basic policies and directives and contains rules to ensure that business is conducted with a strong sense of integrity. This is critical to maintain trust and credibility with Ericsson's customers, partners, employees, shareholders and other stakeholders.

The Code of Business Ethics has been translated into 30 languages. This ensures that it is accessible to everyone working for Ericsson. During recruitment, employees acknowledge that they are aware of the principles of the Code of Business Ethics. This procedure is repeated during the term of employment. Through this process, Ericsson strives to raise awareness throughout its global operations.

Everyone working for Ericsson has an individual responsibility to ensure that business practices adhere to the Code of Business Ethics.

Ericsson's core values

Our values are the foundation of our culture. They guide us in our daily work, in how we relate to each other and the world around us and in the way we do business.



Shareholders

Ownership percentage (voting rights)



■ Swedish institutions:	56.73%
Of which:	
- Investor AB:	21.50%
- AB Industrivärden: (together with SHB Pensionsstiftelse and Pensionskassan SHB Försäkringsförening)	19.96%
■ Foreign institutions:	25.38%
■ Swedish retail investors:	4.98%
■ Other:	12.91%

Source: King Worldwide

GOVERNANCE STRUCTURE

Shareholders may exercise their decision-making rights in the Company at General Meetings of shareholders.

A Nomination Committee is appointed each year by the major shareholders in accordance with the Instruction for the Nomination Committee adopted by the Annual General Meeting of shareholders. The tasks of the Nomination Committee include the proposal of an external auditor and Board members for election by the Annual General Meeting of shareholders and proposals of Board member and auditor remuneration.

In addition to the Board members elected by shareholders, the Board of Directors consists of employee representatives and their deputies, which the unions have the right to appoint under Swedish law. The Board of Directors is ultimately responsible for the strategy and the organization of Ericsson and the management of its operations.

The President and CEO, appointed by the Board of Directors, is responsible for handling the day-to-day management of Ericsson in accordance with instructions from the Board. The President and CEO is supported by the Executive Leadership Team (ELT).

The external auditor of Ericsson is elected by the General Meeting of shareholders.

SHAREHOLDERS**Ownership structure**

As of December 31, 2013, Telefonaktiebolaget LM Ericsson (the "Parent Company") had 516,922 registered shareholders, of which 503,668 were resident or located in Sweden (according to the share register kept by Euroclear Sweden AB). Swedish institutions held almost 57% of the votes. The largest shareholders as of December 31, 2013 were Investor AB, with 21.50% of the votes, and AB Industrivärden, with 19.96% of the votes (together with Svenska Handelsbankens Pensionsstiftelse and Pensionskassan SHB Försäkringsförening).

A significant number of the shares held by foreign investors are nominee-registered, i.e. held off-record by banks, brokers and/or nominees. This means that the actual shareholder is not displayed in the share register or included in the shareholding statistics.

More information on Ericsson's shareholders can be found in the chapter "Share Information" in the Annual Report.

Shares and voting rights

The share capital of the Parent Company consists of two classes of listed shares: A and B shares. Each Class A share carries one vote and each Class B share carries one tenth of one vote. Class A and B shares entitle the holder to the same proportion of assets and earnings and carry equal rights to dividends.

The Parent Company may also issue Class C shares, which shares are used to create treasury stock to finance and hedge long-term variable remuneration programs resolved by the General Meeting of shareholders. Class C shares are converted into Class B shares before they are used for long-term variable remuneration programs.

In the United States, the Ericsson Class B share is listed on NASDAQ New York in the form of American Depository Shares (ADS) evidenced by American Depository Receipts (ADR). Each ADS represents one Class B share.

The members of the Board of Directors and the Executive Leadership Team have the same voting rights on shares as other shareholders holding the same class of shares.

Governance structure

GENERAL MEETINGS OF SHAREHOLDERS

Decision-making at General Meetings

The decision-making rights of Ericsson's shareholders are exercised at General Meetings of shareholders. Most resolutions at General Meetings are passed by a simple majority. However, the Swedish Companies Act requires qualified majorities in certain cases, for example in case of:

- > Amendment of the Articles of Association
- > Resolution to transfer treasury stock to employees participating in long-term variable remuneration programs.

The Annual General Meeting of shareholders

The Annual General Meeting of shareholders (AGM) is held in Stockholm. The date and venue for the meeting is announced on the Ericsson website no later than at the time of release of the third-quarter interim financial report.

Shareholders who cannot participate in person may be represented by proxy. Only shareholders registered in the share register have voting rights. Nominee-registered shareholders who wish to vote must request to be entered into the share register by the record date for the AGM.

The AGM is held in Swedish and is simultaneously interpreted into English. All documentation provided by the Company is available in both Swedish and English.

The AGM gives shareholders the opportunity to raise questions relating to the operations of the Group. Normally, the majority of the members of the Board of Directors and the Executive Leadership Team is present to answer such questions. Shareholders and other interested parties may also correspond in writing with the Company at any time.

The external auditor is always present at the AGM.

Ericsson's Annual General Meeting 2013

Including shareholders represented by proxy, 2,885 shareholders were represented at the AGM held on April 9, 2013, making up approximately 69% of the votes.

The meeting was also attended by members of the Board of Directors, members of the Executive Leadership Team (ELT) and the external auditor.

Decisions of the AGM 2013 included:

- > Payment of a dividend of SEK 2.75 per share
- > Re-election of Leif Johansson as Chairman of the Board of Directors
- > Re-election of members of the Board of Directors: Roxanne S. Austin, Sir Peter L. Bonfield, Börje Ekholm, Alexander Izosimov, Ulf J. Johansson, Sverker Martin-Löf, Hans Vestberg and Jacob Wallenberg
- > Election of Nora Denzel, Kristin Skogen Lund and Pär Östberg as new members of the Board of Directors
- > Board of Directors' fees:
 - Chairman: SEK 3,850,000 (previously SEK 3,750,000)
 - Other non-employee Board members: SEK 900,000 each (previously SEK 875,000)
 - 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)
- > 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 Remuneration Program 2013.

The minutes from the AGM 2013 are available on Ericsson's website.



CONTACT THE BOARD OF DIRECTORS

Telefonaktiebolaget LM Ericsson
The Board of Directors Secretariat
SE-164 83 Stockholm
Sweden
boardsecretariat@ericsson.com

ANNUAL GENERAL MEETING 2014

Ericsson's AGM 2014 will take place on April 11, 2014 at Stockholm Waterfront Congress Centre in Stockholm. Further information is available on Ericsson's website.

NOMINATION COMMITTEE

The Annual General Meeting of shareholders has adopted an Instruction for the Nomination Committee that includes the tasks of the Nomination Committee and the procedure for appointing its members. The instruction applies until the General Meeting of shareholders resolve otherwise. Under the instruction, the Nomination Committee shall consist of:

- Representatives of the four largest shareholders by voting power by the end of the month in which the AGM was held, and
- The Chairman of the Board of Directors.

The Committee may also include additional members following a request by a shareholder. The request must be justified by changes in the shareholder's ownership of shares and be received by the Nomination Committee no later than December 31. No fees are paid to the members of the Nomination Committee.

Members of the Nomination Committee

The current Nomination Committee consists of the Chairman of the Board of Directors, Leif Johansson, and of representatives appointed by the four shareholders with the largest voting power as of April 30, 2013. The current Nomination Committee members are:

- Carl-Olof By (AB Industriärden, Svenska Handelsbankens Pensionsstiftelse), Chairman of the Nomination Committee
- Leif Johansson, Chairman of the Board of Directors
- Petra Hedengran (Investor AB)
- Johan Held (AFA Försäkring)
- Marianne Nilsson (Swedbank Robur Fonder).

The tasks of the Nomination Committee

The main task of the Committee is to propose Board members for election by the AGM. The Committee must orient itself on the

Company's strategy and future challenges to be able to assess the competence and experience that is required by the Board. In addition, the Committee must consider independence rules applicable to the Board of Directors and its committees.

The Nomination Committee also makes the following proposals, for resolution by the AGM:

- Proposal for remuneration to non-employee Directors elected by the AGM and remuneration to the auditor
- Proposal for election of auditor, whereby candidates are selected in cooperation with the Audit Committee of the Board
- Proposal for election of Chairman at the AGM.

Work of the Nomination Committee for the AGM 2014

The Nomination Committee started its work by going through a checklist of all its duties according to the Code and the Instruction for the Nomination Committee and by setting a time plan for its work ahead. A good understanding of Ericsson's business and strategy is important for the members of the Committee. Therefore, the President and CEO was invited to, together with the Chairman of the Board, present their views on the Company's position and strategy.

The Committee was thoroughly informed of the results of the evaluation of the Board work and procedures, including the performance of the Chairman of the Board. On this basis, the Committee was able to assess the competence and experience required by Board members. In proposing Board members, the Nomination Committee considered, among other things, necessary experience and competence, as well as the value of diversity, renewal and gender balance. The Committee also considered whether the proposed Directors have the capability to devote necessary time and care to the Board work.

In addition, the Committee acquainted itself with the assessments made by the Company and the Audit Committee of the quality and efficiency of external auditor work, and received recommendations on external auditor and audit fees.

As of March 5, 2014 the Nomination Committee has held six meetings.



CONTACT THE NOMINATION COMMITTEE

Telefonaktiebolaget LM Ericsson
The Nomination Committee
c/o General Counsel's Office
SE-164 83 Stockholm
Sweden
nomination.committee@ericsson.com

PROPOSALS TO THE NOMINATION COMMITTEE

Shareholders may submit proposals to the Nomination Committee at any time, but should do so in due time before the AGM to ensure that the proposals can be considered by the Committee. Further information is available on Ericsson's website.



BOARD OF DIRECTORS

The Board of Directors is ultimately responsible for the organization of Ericsson and the management of Ericsson's operations. The Board appoints the President and CEO who is responsible for managing the day-to-day operations in accordance with guidelines from the Board. The President and CEO ensures that the Board is updated regularly on issues of importance to Ericsson. This includes updates on business development, results, financial position and liquidity.

Directors serve from the close of one AGM to the close of the next, but can serve any number of consecutive terms.

The President and CEO may be elected a Director of the Board, but, under the Swedish Companies Act, the President of a public company may not be elected Chairman of the Board.

Conflicts of interest

Ericsson maintains rules and regulations regarding conflicts of interest. Directors are disqualified from participating in any decision regarding agreements between themselves and Ericsson. The same applies to agreements between Ericsson and any third party or legal entity in which the Board member has an interest that may be contrary to the interests of Ericsson.

The Audit Committee has implemented a procedure for related-party transactions and a pre-approval process for non-audit services carried out by the external auditor.

Composition of the Board of Directors

The current Board of Directors consists of 12 Directors elected by the shareholders at the AGM 2013 for the period until the close of the AGM 2014. It also consists of three employee representatives, each with a deputy, appointed by the trade unions for the same period of time. The President and CEO, Hans Vestberg, is the

only Board member who was also a member of Ericsson's management during 2013.

Work procedure

Pursuant to the Swedish Companies Act, the Board of Directors has adopted a work procedure that outlines rules for the distribution of tasks between the Board and its Committees as well as between the Board, its Committees and the President and CEO. This complements rules in the Swedish Companies Act and in the Articles of Association of the Company. The work procedure is reviewed, evaluated and adopted by the Board as required and at least once a year.

Independence

The Board of Directors and its Committees are subject to a variety of independence rules under applicable Swedish law, the Code and applicable US securities laws, SEC rules and the NASDAQ Stock Market Rules. However, Ericsson can rely on exemptions from certain US requirements.

The composition of the Board of Directors meets all applicable independence criteria. The Nomination Committee concluded before the AGM 2013 that, for purposes of the Code, at least seven of the nominated Directors were independent of Ericsson, its senior management and its major shareholders. These were Roxanne S. Austin, Sir Peter L. Bonfield, Nora Denzel, Alexander Izosimov, Leif Johansson, Ulf J. Johansson and Kristin Skogen Lund.

Structure of the work of the Board of Directors

The work of the Board follows a yearly cycle. This enables the Board to appropriately address each of its duties and to keep strategy, risk assessment and value creation high on the agenda. In addition to Board meetings, the annual work cycle of the Board includes two



Board Strategic Days held in connection with Board meetings. The Board Strategic Days are described below under Training and Board Strategic Days.

As the Board is responsible for financial oversight, financial information is presented and evaluated at each Board meeting. Furthermore, the Chairmen of each Committee, generally report on Committee work at each Board meeting and minutes from Committee meetings are distributed to all Directors prior to the Board meetings.

At every Board meeting, the President and CEO reports on business and market developments as well as on the financial performance of the Group. Strategic issues and risks are also addressed at most Board meetings. The Board is regularly informed of developments in legal and regulatory matters of importance.

The annual work cycle of the Board:

› **Statutory meeting**

The yearly cycle starts with the statutory Board meeting which is held in connection with the AGM. At this meeting, members of each of the three Board Committees are appointed and the Board resolves on signatory power.

› **First interim report meeting**

At the next ordinary meeting, the Board handles the interim financial report for the first quarter of the year.

› **Main strategy meeting**

Various strategic issues are addressed at most Board meetings and, in accordance with the annual cycle for the strategy process, a main strategy Board meeting is held, in essence dedicated to short- and long-term strategies of the Group. Following the Board's input on, and approval of, the overall strategy, the strategy is cascaded throughout the entire organization, starting at the Global Leadership Summit with Ericsson's top 250 leaders.

› **Second interim report meeting**

At the second interim report meeting, the Board handles the interim financial report for the second quarter of the year.

› **Follow-up strategy and risk management meeting**

Following the summer, a meeting is held to address particular strategy matters in further detail and to finally confirm the Group strategy. The meeting also addresses the overall risk management of the Group.

› **Board Strategic Day**

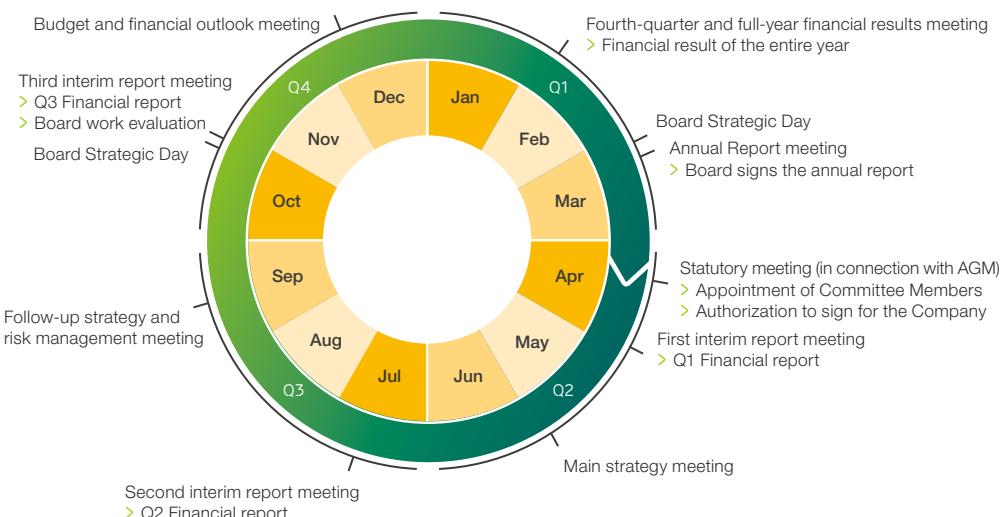
A Board Strategic Day, focusing on deepening Board member knowledge of matters of strategic importance for Ericsson, is held in connection with a Board meeting in the fall.

› **Third interim report meeting**

A Board meeting is held to handle the interim financial report for the third quarter of the year. At this meeting, the results of the Board evaluation are presented to and discussed by the Board.

The Board's annual work cycle

The annual cycle applied to the Board's work allows the Board to appropriately address its duties during the year. It also facilitates the organization in aligning its global processes to allow appropriate Board involvement. This is particularly relevant for the Group's strategy process and risk management.



- › **Budget and financial outlook meeting**
A meeting is held for the Board to address the budget and financial outlook as well as to further analyze internal and external risks.
- › **Fourth-quarter and full-year financial results meeting**
Following the end of the calendar year, the Board holds a meeting which focuses on the financial results of the entire year and handles the fourth-quarter financial report.
- › **Board Strategic Day**
A Board Strategic Day, focusing on deepening Board member knowledge of matters of strategic importance for Ericsson, is held in connection with a Board meeting in the spring.
- › **Annual Report meeting**
The Annual Report meeting closes the yearly cycle of work of the Board of Directors. At this meeting the Board approves the Annual Report.

Training and Board Strategic Days

All new Directors receive comprehensive training tailored to their individual needs. Introductory training typically includes meetings with the heads of the business units and Group functions, as well as training arranged by NASDAQ OMX Stockholm on listing issues and insider rules. In addition, the company arranges training for Board members at regular intervals.

During 2013, Ericsson took steps to further improve the recurring Board training by instituting bi-annual Board Strategic Days. The Board Strategic Days are arranged for Board members in conjunction with the ordinary Board meetings, and normally span one full day in the spring and one full day in the fall. The Board Strategic Days focus on combining strategy issues with making deep dives into issues of importance for the Ericsson Group. The purpose of the Board Strategic Days is to ensure that members of the Board have knowledge and understanding of the business activities of the Group, the business

environment and of the Group's strategic options and challenges. Directors' knowledge in these fields is crucial to allow well-founded Board resolutions, and to ensure that the Company take due advantage of the different competences of the Directors.

As a rule, the Board Strategic Days also include Sustainability and Corporate Responsibility training for the Board members.

Auditor involvement

The Board meets with Ericsson's external auditor in closed sessions at least once a year to receive and consider the auditor's observations. The auditor reports to management on the accounting and financial reporting practices of the Group.

The Audit Committee also meets with the auditor to receive and consider observations on the interim reports and the Annual Report. The auditor has been instructed to report on whether the accounts, the management of funds and the general financial position of the Group are presented fairly in all material respects.

In addition, the Board reviews and assesses the process for financial reporting, as described later in "Internal control over financial reporting 2013". Combined with internal controls, the Board's and the auditor's review of interim and annual reports are deemed to give reasonable assurance on the internal controls over financial reporting.

Work of the Board of Directors in 2013

In 2013, nine Board meetings were held. For attendance at Board meetings, see the table on page 145. Among the matters addressed by the Board this year (apart from regular matters in the annual Board work cycle) were:

- › A number of acquisitions, including the Devoteam Telecom & Media operations in France, Microsoft Mediaram, TelcoCell, Red Bee Media (the completion of the acquisition of Red Bee Media is still subject to approval by the UK Competition Commission after

Organization of the Board work



referral to the Competition Commission by The Office of Fair Trading in the UK) and the EVDO business of Airvana Network Solutions

- > Completion of the transaction to split up the joint venture ST-Ericsson
- > Refinancing of Ericsson's USD 2 billion revolving credit facility
- > A number of divestments, including the power cable operations and part of the telecom cable operations, and the former research and engineering arm of Telcordia Technologies, ACS (Applied Communication Sciences)
- > Continued strong focus on risk management, strategy and the competitive market development, as well as on sustainability and corporate responsibility matters.

Board work evaluation

A key objective of the Board evaluation is to ensure that the Board work is functioning well. This includes gaining an understanding of the issues that the Board thinks warrant greater focus, as well as determining areas where additional competence is needed within the Board. The evaluation also serves as guidance for the work of the Nomination Committee.

Each year, the Chairman of the Board initiates and leads the evaluation of the Board and Committee work and procedures. Evaluation tools include detailed questionnaires and discussions. The services of an external corporate advisory firm have been retained by the Company to assist in developing questionnaires, carrying out surveys and summarizing responses. As part of the

evaluation process, the Chairman of the Board also had individual discussions with each of the Directors.

In 2013, all Directors responded to written questionnaires, covering the Director's individual performance, Board work in general, Committee work and the Chairman's performance. The Chairman was not involved in the development or compilation of the questionnaire which related to his performance, nor was he present when his performance was evaluated. The evaluations were thoroughly discussed and an action plan was developed in order to further improve the work of the Board.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established three Committees: the Audit Committee, the Finance Committee and the Remuneration Committee. Members of each Committee are appointed for one year from amongst the Board members.

The task of the Committees is mainly to prepare matters for resolution by the Board. However, the Board has authorized each Committee to determine certain issues in limited areas. It may also on occasion provide extended authorization for the Committees to determine specific matters.

If deemed appropriate, the Board of Directors and each Committee have the right to engage independent external expertise, either in general or with respect to specific matters.

Prior to the Board meetings, each Committee submits the minutes from Committee meetings

Members of the Committees

Members of the Committees of the Board of Directors 2013

Audit Committee

- > Ulf J Johansson (Chairman)
- > Sir Peter L. Bonfield
- > Kristina Davidsson
- > Pär Östberg

Finance Committee

- > Leif Johansson (Chairman)
- > Pehr Claesson
- > Sverker Martin-Löf
- > Jacob Wallenberg

Remuneration Committee

- > Leif Johansson (Chairman)
- > Börje Ekholm
- > Roxanne S. Austin
- > Karin Åberg

to the Board. The Chairman of the Committee also reports on the Committee work at each Board meeting.

Audit Committee

On behalf of the Board, the Audit Committee monitors the following:

- > The scope and correctness of the financial statements
- > Compliance with legal and regulatory requirements
- > Internal control over financial reporting
- > Risk management
- > The effectiveness and appropriateness of the Group's anti-corruption program.

The Audit Committee also reviews the annual and interim financial reports and oversees the external audit process, including audit fees. This involves:

- > Reviewing, with management and the external auditor, the financial statements (including their conformity with generally accepted accounting principles)
- > Reviewing, with management, the reasonableness of significant estimates and judgments made in preparing the financial statements, as well as the quality of the disclosures in the financial statements
- > Reviewing matters arising from reviews and audits performed.

The Audit Committee itself does not perform audit work. Ericsson has an internal audit function which reports directly to the Audit Committee. Ericsson also has an external auditor elected by the AGM.

The Committee is involved in the preparatory work of proposing an auditor for election by the AGM. It also monitors Group transactions and the ongoing performance and independence of the auditor with the aim to avoid conflicts of interest.

In order to ensure the auditor's independence, the Audit Committee has established pre-approval policies and procedures for non-audit related services to be performed by the external auditor. Pre-approval authority may not be delegated to management. The Audit Committee also oversees:

- > The process for reviewing transactions with related parties
- > The whistleblower procedure for the reporting of alleged violations of laws or the Code of Business Ethics that (i) are conducted by Group or local management, and (ii) relate to corruption, questionable accounting or auditing matters or otherwise seriously affect vital interests of the Group or personal health and safety.

Violations reported through the whistleblower procedure are handled by Ericsson's Group Compliance Forum, consisting of representatives from Ericsson's internal audit

function, Group Function Legal Affairs, Group Security, and Group Function Human Resources. Information regarding any incident is reported to the Audit Committee. Reports include measures taken, details of the responsible Group function and the status of any investigation.

Members of the Audit Committee

The Audit Committee consists of four Board members appointed by the Board. The Audit Committee members appointed by the Board in connection with the AGM 2013 are Ulf J. Johansson (Chairman of the Committee), Sir Peter L. Bonfield, Kristina Davidsson and Pär Östberg.

The composition of the Audit Committee meets all applicable independence requirements. The Board of Directors has determined that each of Ulf J. Johansson, Sir Peter L. Bonfield and Pär Östberg is an audit committee financial expert, as defined under the SEC rules. Each of them is considered independent under applicable US securities laws, SEC rules and NASDAQ Stock Market Rules and each of them is financially literate and familiar with the accounting practices of an international company, such as Ericsson.

Work of the Audit Committee in 2013

The Audit Committee held seven meetings in 2013. Directors' attendance is reflected in the table on page 145. During the year, the Audit Committee reviewed the scope and results of external financial audits and the independence of the external auditor. It also monitored the external audit fees and approved non-audit services performed by the external auditor in accordance with the Committee's pre-approval policies and procedures.

The Committee approved the annual audit plan for the internal audit function and reviewed its reports. Prior to publishing it, the Committee also reviewed and discussed each interim report and the annual report with the external auditor.

The Committee monitored the continued compliance with the Sarbanes-Oxley Act as well as the internal control and risk management process. It also reviewed certain related-party transactions in accordance with its established process.

The Committee reviewed and evaluated the effectiveness and appropriateness of the Group's anti-corruption program.

Finance Committee

The Finance Committee is primarily responsible for:

- > Handling matters related to acquisitions and divestments
- > Handling capital contributions to companies inside and outside the Ericsson Group

- › Raising loans, issuing guarantees and similar undertakings, and approving financial support to customers and suppliers
- › Continuously monitoring the Group's financial risk exposure.

The Finance Committee is authorized to determine matters such as:

- › Direct or indirect financing
- › Provision of credits
- › Granting of guarantees and similar undertakings
- › Certain investments, divestments and financial commitments.

Members of the Finance Committee

The Finance Committee consists of four Board members appointed by the Board. The Finance Committee members appointed by the Board in connection with the AGM 2013 are: Leif Johansson (Chairman of the Committee), Pehr Claesson, Sverker Martin-Löf and Jacob Wallenberg.

Work of the Finance Committee in 2013

The Finance Committee held nine meetings in 2013. Directors' attendance is reflected in the table on page 145. During the year, the Finance Committee approved numerous customer finance credit arrangements and reviewed a number of potential mergers and acquisitions and real estate investments. The Finance Committee spent significant time discussing and securing an adequate capital structure, as well as examining cash flow and working capital performance. It has also continuously monitored Ericsson's financial position, foreign exchange and credit exposures.

Remuneration Committee

The Remuneration Committee's main responsibilities include:

- › Reviewing and preparing for resolution by the Board, proposals on salary and other remuneration, including retirement compensation, for the President and CEO
- › Reviewing and preparing for resolution by the Board, proposals to the AGM on guidelines for remuneration to the ELT
- › Approving proposals on salary and other remuneration, including retirement compensation, for the Executive Vice Presidents and other CEO direct reports
- › Reviewing and preparing for resolution by the Board, proposals to the AGM on the

Long-Term Variable Remuneration Program and similar equity arrangements.

In its work, the Remuneration Committee considers trends in remuneration, legislative changes, disclosure rules and the general global executive remuneration environment. The Committee reviews salary survey data before approving any salary adjustment for CEO direct reports and before preparing salary adjustments for the President and CEO for resolution by the Board.

Members of the Remuneration Committee

The Remuneration Committee consists of four Board members appointed by the Board. The Remuneration Committee members appointed by the Board in connection with the AGM 2013 are: Leif Johansson (Chairman of the Committee), Börje Ekholm, Roxanne S. Austin and Karin Åberg.

An independent expert advisor, Piia Pilv, has been appointed by the Remuneration Committee to advise and assist the Committee.

Work of the Remuneration Committee in 2013

The Remuneration Committee held six meetings in 2013. Directors' attendance is reflected in the table on page 145.

The Committee reviewed and prepared a proposal for the LTV 2013 for resolution by the Board. This was approved by the AGM 2013. The Committee further resolved on salaries and Short-Term Variable remuneration (STV) for 2013 for certain CEO direct reports and prepared proposals regarding remuneration to the President and CEO, for resolution by the Board. The Committee also prepared guidelines for remuneration to the ELT, for resolution by the Board, which were subsequently referred by the Board to the AGM for approval.

The Remuneration Committee additionally concluded its analysis of the current LTV structure and executive remuneration. The resulting proposals on LTV and guidelines for remuneration to the ELT will be referred to the AGM 2014 for resolution.

For further information on fixed and variable remuneration, please see Notes to the consolidated financial statements – Note C28 “Information regarding members of the Board of Directors, the Group management and employees” and the “Remuneration Report” included in the Annual Report.

Directors' attendance and fees 2013

Board member	Fees resolved by the AGM 2013		Number of Board/Committee meetings attended in 2013			
	Board fees, SEK ¹⁾	Committee fees, SEK	Board	Audit Committee	Finance Committee	Remuneration Committee
Leif Johansson	3,850,000	400,000	9		9	6
Sverker Martin-Löf ²⁾³⁾	900,000	175,000	9	2	7	
Jacob Wallenberg	900,000	175,000	9		9	
Roxanne S. Austin ⁴⁾	900,000	175,000	9			5
Sir Peter L. Bonfield	900,000	250,000	8	6		
Nora Denzel ⁵⁾	900,000		7			
Börje Ekholm	900,000	175,000	9			6
Alexander Izosimov	900,000		9			
Ulf J. Johansson	900,000	350,000	9	7		
Anders Nyrén ⁶⁾	–		2		2	
Nancy McKinstry ⁶⁾	–		2			1
Kristin Skogen Lund ⁵⁾	900,000		7			
Hans Vestberg	–		9			
Michelangelo Volpi ⁶⁾	–		1			
Pär Östberg ⁵⁾⁷⁾	900,000	250,000	7	5		
Pehr Claesson	13,500 ⁸⁾		9		9	
Kristina Davidsson	13,500 ⁸⁾		9	7		
Karin Åberg	12,000 ⁸⁾		8			6
Rickard Fredriksson	13,500 ⁸⁾		9			
Karin Lennartsson	13,500 ⁸⁾		9			
Roger Svensson	13,500 ⁸⁾		9			
Total number of meetings			9	7	9	6

¹⁾ Non-employee Directors can choose to receive part of their Board fee (exclusive of Committee fees) in the form of synthetic shares.

²⁾ Member of the Finance Committee since April 9, 2013.

³⁾ Resigned from the Audit Committee as of April 9, 2013.

⁴⁾ Member of the Remuneration Committee since April 9, 2013.

⁵⁾ Elected Board member as of April 9, 2013.

⁶⁾ Resigned as Board member as of April 9, 2013.

⁷⁾ Member of the Audit Committee since April 9, 2013.

⁸⁾ Employee representative Board members and their deputies are not entitled to a Board fee but compensation in the amount of SEK 1,500 per attended Board meeting.

REMUNERATION TO BOARD MEMBERS

Remuneration to Board members not employed by the Company is proposed by the Nomination Committee for resolution by the AGM.

The AGM 2013 approved the Nomination Committee's proposal for fees to the non-employee Board members for Board and Committee work. For further information on Board of Directors' fees 2013, please refer to Notes to the consolidated financial statements – Note C28 "Information regarding members of the Board of Directors, the Group management and employees" in the Annual Report.

The AGM 2013 also approved the Nomination Committee's proposal that Board members may be paid part of their Board fee in the form of synthetic shares.

A synthetic share gives the right to receive a future cash payment of an amount which corresponds to the market value of a Class B share in Ericsson at the time of payment. The Director's right to receive payment with regard to allocated synthetic shares occurs, as a main rule, after the publication of the Company's year-end financial statement during the fifth year

following the General Meeting that resolved on the allocation of the synthetic shares. The purpose of paying part of the Board of Directors' fee in the form of synthetic shares is to further align the Directors' interests with shareholder interests. For more information on the terms and conditions of the synthetic shares, please refer to the notice convening the AGM 2013 and to the minutes from the AGM 2013, which are available at Ericsson's website.

MEMBERS OF THE BOARD OF DIRECTORS

Board members elected by the AGM 2013



Leif Johansson
(first elected 2011)
Chairman of the Board of Directors, Chairman of the Remuneration Committee and of the Finance Committee



Sverker Martin-Löf
(first elected 1993)
Deputy Chairman of the Board of Directors, Member of the Finance Committee



Jacob Wallenberg
(first elected 2011)
Deputy Chairman of the Board of Directors, Member of the Finance Committee



Roxanne S. Austin
(first elected 2008)
Member of the Remuneration Committee

Born 1951. Master of Science in Engineering, Chalmers University of Technology, Gothenburg, Sweden.
Board Chairman: Astra Zeneca PLC, European Round Table of Industrialists and the International Advisory Board of the Nobel Foundation.
Board Member: Svenska Cellulosa Aktiebolaget SCA and Ecolean AB.
Holdings in Ericsson: 41,933 Class B shares ¹⁾, and 12,000 Class B shares held via endowment insurance ²⁾.
Principal work experience and other information: President of the Royal Swedish Academy of Engineering Sciences since 2012. President and CEO of AB Volvo 1997-2011. Executive Vice President of AB Electrolux 1988-1991, President 1991-1994 and President and CEO of AB Electrolux 1994-1997. Holds honorary Doctorates at Blekinge Institute of Technology, the University of Gothenburg and Chalmers University of Technology. Awarded the Large Gold Medal of the Royal Swedish Academy of Engineering Sciences in 2011.

Born 1943. Doctor of Technology and Master of Engineering, KTH Royal Institute of Technology, Stockholm, Sweden.
Board Chairman: Svenska Cellulosa Aktiebolaget SCA, SSAB and AB Industriärvarden.
Deputy Board Chairman: Svenska Handelsbanken AB.
Board Member: Skanska AB.
Holdings in Ericsson: 10,400 Class B shares ¹⁾.
Principal work experience and other information: President and CEO of Svenska Cellulosa Aktiebolaget SCA 1990-2002, where he was employed 1977-1983 and 1986-2002. Previous positions at Sunds Defibrator and Mo och Domsjö AB.

Born 1956. Bachelor of Science in Economics and Master of Business Administration, Wharton School, University of Pennsylvania, USA. Officer of the Reserve, Swedish Navy.
Board Chairman: Investor AB.
Deputy Board Chairman: SAS AB and SEB Skandinaviska Enskilda Banken AB (SEB).
Board Member: ABB Ltd, The Coca-Cola Company, The Knut and Alice Wallenberg Foundation and Stockholm School of Economics.
Holdings in Ericsson: 2,413 Class B shares ¹⁾, and 12,050 synthetic shares ³⁾.
Principal work experience and other information: Chairman of the Board of Investor AB since 2005. President and CEO of SEB in 1997 and Chairman of SEB's Board of Directors 1998-2005. Executive Vice President and CFO of Investor AB 1990-1993. Honorary Chairman of IBLAC (Mayor of Shanghai's International Business Leaders Advisory Council) and member of The European Round Table of Industrialists.

Born 1961. Bachelor of Business Administration in Accounting, University of Texas, San Antonio, USA.
Board Member: Abbott Laboratories, AbbVie Inc., Teledyne Technologies Inc. and Target Corporation.
Holdings in Ericsson: 3,000 Class B shares ¹⁾, and 31,296 synthetic shares ³⁾.
Principal work experience and other information: President of Austin Investment Advisors since 2004. President and CEO of Move Networks Inc. 2009-2010. President and COO of DirecTV 2001-2003. Corporate Senior Vice President and CFO of Hughes Electronics Corporation 1997-2000, which she joined in 1993. Previously a partner at Deloitte & Touche. Member of the California State Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

The Board memberships and holdings in Ericsson reported above are as of December 31, 2013.

¹⁾ The number of shares includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

²⁾ Shares held via endowment insurance include shares held under an insurance under which the insurance holder may make investment decisions with respect to the shares (Sw: "kapitalförsäkring" or "depåförsäkring") and include holdings by related natural and legal persons, as well as holdings of ADS, if applicable.

³⁾ Since 2008, the AGM has each year resolved that part of the Board fee may be received in the form of synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the value of the Class B share in Ericsson at the time of payment. Please see page 145, for further information.



Sir Peter L. Bonfield
(first elected 2002)
Member of the Audit Committee



Nora Denzel
(first elected 2013)



Börje Ekholm
(first elected 2006)
Member of the Remuneration Committee



Alexander Izosimov
(first elected 2012)

Born 1944. Honors degree in Engineering, Loughborough University, Leicestershire, UK.
Board Chairman: NXP Semiconductors N.V.
Board Member: Mentor Graphics Inc., Sony Corporation and Taiwan Semiconductor Manufacturing Company, Ltd.
Holdings in Ericsson:
 4,400 Class B shares ¹⁾, and 10,660 synthetic shares ³⁾.
Principal work experience and other information: CEO and Chairman of the Executive Committee of British Telecommunications plc 1996–2002. Chairman and CEO of ICL plc 1985–1996. Positions with STC plc and Texas Instruments Inc. Member of the Advisory Boards of New Venture Partners LLP and the Longreach Group. Board Mentor of CMi. Senior Advisor, Rothschild, London. Chair of Council and Senior Pro-Chancellor, Loughborough University, UK. Fellow of the Royal Academy of Engineering.

Born 1962. Master of Science in Business Administration, Santa Clara University, USA. Bachelor of Science in Computer Science, State University of New York, USA.
Board Member: Outerwall, Inc. and Saba Software.
Holdings in Ericsson: None ¹⁾.
Principal work experience and other information: Intuit Software (2008–2012) – Senior Vice President Big Data, Marketing and Social Product Design and General Manager QuickBooks Payroll Division. Previous positions include Senior Vice President and General Manager of HP's Global Software, Storage and Consulting Divisions (2000–2006), Senior Vice President Product Operations Legato Systems (bought by EMC) and various engineering, marketing and executive positions at IBM. Board member of YWCA of Silicon Valley and the Anita Borg Institute.

Born 1963. Master of Science in Electrical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden. Master of Business Administration, INSEAD, France.
Board Chairman: KTH Royal Institute of Technology, Stockholm and NASDAQ OMX Group Inc.
Board Member: Investor AB, AB Chalmersinvest and EQT Partners AB.
Holdings in Ericsson:
 30,760 Class B shares ¹⁾, and 40,398 synthetic shares ³⁾.
Principal work experience and other information: President and CEO of Investor AB since 2005. Formerly Head of Investor Growth Capital Inc. and New Investments. Previous positions at Novare Kapital AB and McKinsey & Co Inc.

Born 1964. Master of Business Administration, INSEAD, France and Master of Science in Production Management Systems and Computer Science, Moscow Aviation Institute, Russian Federation.
Board Member: East Capital AB, Modern Times Group MTG AB, EVRAZ Group S.A., Dynasty Foundation, Transcom WorldWide SA and International Chamber of Commerce (ICC).
Holdings in Ericsson:
 1,600 Class B shares ¹⁾, 50,000 Class B shares held via endowment insurance ²⁾, and 6,296 synthetic shares ³⁾.
Principal work experience and other information: CEO and President of VimpelCom 2003–2011. Previous positions with Mars Inc., including Member of the Global Executive Board and Regional President for CIS, Central Europe and Nordics. Earlier positions with McKinsey & Co as consultant in the Stockholm and London offices. Served as GSMA Board member 2005–2008 and Chairman of GSMA 2008–2010.

The Board memberships and holdings in Ericsson reported above are as of December 31, 2013.

¹⁾ The number of shares includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

²⁾ Shares held via endowment insurance include shares held under an insurance under which the insurance holder may make investment decisions with respect to the shares (Sw: "kapitalförsäkring" or "depåförsäkring") and include holdings by related natural and legal persons, as well as holdings of ADS, if applicable.

³⁾ Since 2008, the AGM has each year resolved that part of the Board fee may be received in the form of synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the value of the Class B share in Ericsson at the time of payment. Please see page 145, for further information.

MEMBERS OF THE BOARD OF DIRECTORS CONTINUED

Board members elected by the AGM 2013



Ulf J. Johansson
(first elected 2005)
Chairman of the Audit Committee



Kristin Skogen Lund
(first elected 2013)



Hans Vestberg
(first elected 2010)



Pär Östberg
(first elected 2013)
Member of the Audit Committee

Born 1945. Doctor of Technology and Master of Science in Electrical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden.
Board Chairman: Acando AB, Eurostep Group AB and Trimble Navigation Ltd.

Board Member: European Institute of Innovation and Technology.

Holdings in Ericsson:

6,435 Class B shares ¹⁾, and 14,720 synthetic shares ²⁾.

Principal work experience and other information: Founder of Europolitan Vodafone AB, where he was the Chairman of the Board 1990–2005. Previous positions at Spectra-Physics AB as President and CEO and at Ericsson Radio Systems AB. Member of the Royal Academy of Engineering Sciences.

Born 1966. Master of Business Administration, INSEAD, France. Bachelor in International Studies and Business Administration, University of Oregon, USA.

Board Member: None

Holdings in Ericsson:

2,804 synthetic shares ²⁾.

Principal work experience and other information: Director General of the Confederation of Norwegian Enterprise (NHO) since 2012. Executive Vice President and Head of Digital Services and Broadcast and Executive Vice President and Head of Nordic Region, Group Executive Management at Telenor 2010–2012. Previous positions include Chief Executive Officer and Commercial Director at Aftenposten, Chief Executive Officer at Scanpix, Managing Director and Editor in Chief at Scandinavia Online, and several positions at the Coca-Cola Company, Unilever and Norges Eksportråd.

Born 1965. Bachelor of Business Administration and Economics, University of Uppsala, Sweden.
Board Chairman: Svenska Handbollförbundet.

Board Member: Thernlunds AB.

Holdings in Ericsson:

217,185 Class B shares ¹⁾.

Principal work experience and other information: President and CEO of Telefonaktiebolaget LM Ericsson since January 1, 2010. Previously, First Executive Vice President, CFO and Head of Group Function Finance and Executive Vice President and Head of Business Unit Global Services. Various positions in the Group since 1988, including Vice President and Head of Market Unit Mexico and Head of Finance and Control in USA, Brazil and Chile. International advisor to the Governor of Guangdong, China and co-chairman of the Russian-Swedish Business Council. Founding member of the Broadband Commission for Digital Development, and heading the Commission's task group on the post 2015 development agenda. Member of the Leadership Council of the United Nations Sustainable Development Solutions Network.

Born 1962. Master of Business Administration, Gothenburg School of Economics, Gothenburg, Sweden.

Board Member: Skanska AB and SSAB.

Holdings in Ericsson: None.

Principal work experience and other information: Executive Vice President of AB Industrivärden since 2012.

Executive Vice President at Volvo Group Truck Joint Ventures between January 2012 and October 2012.

Several senior managerial positions within the Volvo group including Senior Vice President and President Trucks Asia at AB Volvo, Chairman of the Board of VE Commercial Vehicles Ltd, Senior Vice President and CFO at AB Volvo, CFO at Volvo Trucks France and senior positions at Volvo Treasury Asia Ltd, Singapore and Volvo Treasury Europe AB. Previous positions also include Senior Vice President, CFO at Renault Trucks and positions within Renault Crédit International (RCI) and Renault SA.

The Board memberships and holdings in Ericsson reported above are as of December 31, 2013.

¹⁾ The number of shares reflects ownership as of December 31, 2013 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

²⁾ Since 2008, the AGM has each year resolved that part of the Board fee may be received in the form of synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the value of the Class B share in Ericsson at the time of payment. Please see page 145, for further information..

Board members and deputies appointed by the unions



Pehr Claesson
(first appointed 2008)

Employee representative, Member of the Finance Committee

Born 1966. Appointed by the union The Swedish Association of Graduate Engineers.
Holdings in Ericsson:
1,319 Class B shares¹⁾. Employed since 1997. Working with marketing and communication for Consulting and Systems Integration within Business Unit Global Services.



Kristina Davidsson
(first appointed 2006)

Employee representative, Member of the Audit Committee

Born 1955. Appointed by the union IF Metall.
Holdings in Ericsson:
1,856 Class B shares¹⁾. Employed since 1995. Previously working as a repairer within Business Unit Networks and currently working full time as union representative.



Karin Åberg
(first appointed 2007)

Employee representative, Member of the Remuneration Committee

Born 1959. Appointed by the union Unionen.
Holdings in Ericsson:
3,156 Class B shares¹⁾. Employed since 1995. Working as a Service Engineer within the IT organization.



Rickard Fredriksson
(first appointed 2012)

Deputy employee representative

Born 1969. Appointed by the union IF Metall.
Holdings in Ericsson:
1,249 Class B shares¹⁾. Employed since 2000. Previously working as machine operator within Business Unit Networks and currently working full time as union representative.



Karin Lennartsson
(first appointed 2010)

Deputy employee representative

Born 1957. Appointed by the union Unionen.
Holdings in Ericsson:
571 Class B shares¹⁾. Employed since 1976. Working as Process Expert within Group Function Business Excellence & Common Functions.



Roger Svensson
(first appointed 2011)

Deputy employee representative

Born 1971. Appointed by the union The Swedish Association of Graduate Engineers.
Holdings in Ericsson:
9,724 Class B shares¹⁾. Employed since 1999. Working as Senior Specialist within Business Unit Networks.

Hans Vestberg was the only Director who held an operational management position at Ericsson in 2013. No Director has been elected pursuant to an arrangement or understanding with any major shareholder, customer, supplier or other person.

At the Annual General Meeting 2013, Nora Denzel, Kristin Skogen Lund and Pär Östberg were elected new members of the Board of Directors, replacing Nancy McKinstry, Anders Nyrén and Michelangelo Volpi.

¹⁾ The number of shares reflects ownership as of December 31, 2013 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

CORPORATE GOVERNANCE REPORT 2013 CONTINUED

MANAGEMENT**The President/CEO and the Executive Leadership Team**

The Board of Directors appoints the President and CEO and the Executive Vice Presidents. The President and CEO is responsible for the management of day-to-day operations and is supported by the Executive Leadership Team (the "ELT"). The ELT members as of December 31, 2013, are presented on page 154.

The role of the ELT is to:

- Establish a strong corporate culture, a long-term vision and Group strategies and policies, all based on objectives stated by the Board
- Determine targets for operational units, allocate resources and monitor unit performance
- Secure operational excellence and realize global synergies through efficient organization of the Group.

Remuneration to the Executive Leadership Team

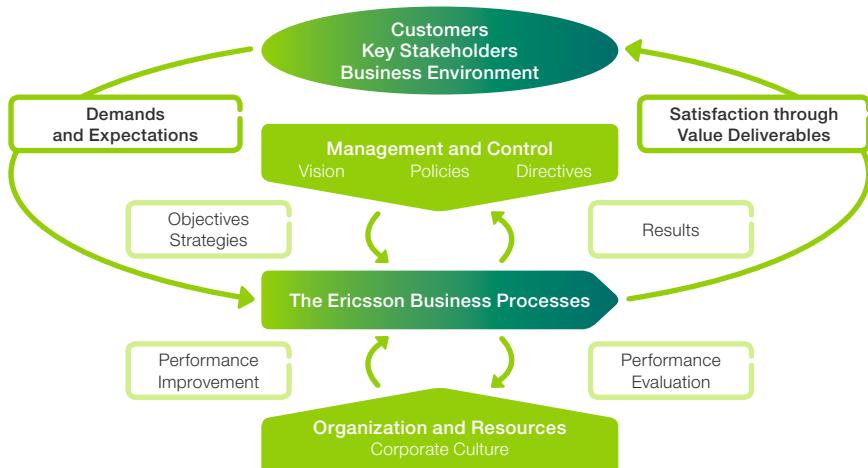
Guidelines for remuneration to the ELT were approved by the AGM 2013. For further information on fixed and variable remuneration, see the Remuneration Report and Notes to the consolidated financial statements – Note C28, "Information regarding members of the Board of Directors, the Group management and employees" in the Annual Report.

The Ericsson Group Management System

Ericsson has one global management system, known as the "Ericsson Group Management System" (EGMS) to drive corporate culture and to ensure that the business is managed:

- To fulfill the objectives of Ericsson's major stakeholders (customers, shareholders, employees)
- Within established risk limits and with reliable internal control
- In compliance with relevant applicable laws, listing requirements, governance codes and corporate social responsibilities.

The EGMS is a framework consisting of rules and requirements for Ericsson's business, specified through process and organization descriptions, policies, directives and instructions. The management system is applied in all Ericsson's operations globally, and its consistency and global reach is designed to build trust in the way Ericsson works. The EGMS is founded on ISO 9001 (international standard for quality management systems) but is designed as a dynamic governance system, enabling Ericsson to adapt the system to evolving demands and expectations, including new legislation as well as customers' and other stakeholders' requirements. Ericsson does not implement external requirements without analyzing them and putting them into the Ericsson context.

Ericsson Group Management System

The EGMS comprises three elements:

- > Management and control
- > Ericsson business processes
- > Organization and resources.

Management and control

Ericsson's strategy and target-setting processes consider the demands and expectations of customers as well as other key stakeholders. Ericsson uses balanced scorecards as tools for translating strategic objectives into a set of performance indicators for its operational units. Based on annual strategy work, these scorecards are updated with targets for each unit for the next year and are communicated throughout the organization.

Group-wide policies and directives govern how the organization works and are core elements in managing and controlling Ericsson. The Group Policies and Directives include, among other things, a Code of Business Ethics, a Code of Conduct and accounting and reporting directives to fulfill external reporting requirements.

The Group Steering Documents Committee works to ensure that the policies and directives cover relevant issues; that they are aligned and consistent with Group strategies, values and structures; and that they are not in conflict with legal and regulatory requirements. In addition, the Group Steering Documents Committee works to ensure that the said strategies, values and structures are implemented by the responsible function.

Ericsson business processes

As a market leader, Ericsson utilizes the competitive advantages that are gained through global scale and has implemented common processes and IT tools across all operational units worldwide. Customer requirements are identified, clarified and formalized in Ericsson Business Processes where requirements transform from theory to practice. Ericsson attempts to reduce costs with efficient and effective process flows and with standardized internal controls and performance indicators.

Organization and resources

Ericsson is operated in two dimensions: one operational structure and one legal structure. The operational structure aligns accountability and authority regardless of country borders and supports the process flow with cross-country operations. In the operational structure, Ericsson is organized in group functions, business units and regions. The legal structure is the basis for legal requirements and responsibility as well as for tax and statutory reporting purposes. There are more than 200 legal entities within the Ericsson Group with representation (via legal entities, branch and representative offices) in more than 150 countries.

Chief Compliance Officer

Ericsson has a Chief Compliance Officer (CCO) whose primary focus is to further develop Ericsson's anti-corruption compliance program. Attention from senior-management level on anti-corruption and compliance is crucial, as is ensuring that these matters are addressed from a cross-functional perspective. Ericsson's anti-corruption compliance program is reviewed and evaluated by the Audit Committee at least annually.

Audits, assessments and certification

The purpose of audits and assessments is to determine levels of compliance and to provide valuable information for understanding, analyzing and continually improving performance. Management monitors compliance with policies, directives and processes through internal self-assessment within all units. This is complemented by internal and external audits.

Due to demands and requirements from customers and other external stakeholders, Ericsson sometimes needs to take decisions on certification in order to stay competitive in the market. Certification means that Ericsson's interpretation of standards or requirements are confirmed by a third party assessment.

As the EGMS is a global system, group-wide certificates are issued by a third party certification body proving that the system is efficient throughout the whole organization. Ericsson is currently globally certified to ISO 9001 (Quality), ISO 14001 (Environment) and OHSAS 18001 (Health & Safety). Selected Ericsson units are also certified to additional standards, for example ISO 27001 (Information Security) and TL 9000 (telecom-specific standard). EGMS is also audited within the scope of the audit plan of Ericsson's internal audit function.

Ericsson's external financial audits are performed by PricewaterhouseCoopers, and ISO/management system audits by Intertek. Internal audits are performed by the company's internal audit function which reports to the Audit Committee.

Ericsson conducts audits of suppliers in order to secure compliance with Ericsson's Code of Conduct, which includes rules that suppliers to the Ericsson Group must comply with.

Risk management

Ericsson's risk management is integrated into the operational processes of the business, and is a part of the EGMS to ensure accountability, effectiveness, efficiency, business continuity and compliance with corporate governance, legal and other requirements. The Board of Directors is also actively engaged in the Company's risk management. Risks related to long-term objectives are discussed and

strategies are formally approved by the Board as part of the annual strategy process. Risks related to annual targets for the Company are also reviewed by the Board and then monitored continuously during the year. Certain transactional risks require specific Board approval, e.g. acquisitions, management remuneration, borrowing or customer finance in excess of pre-defined limits.

Strategic and tactical risks

Strategic risks constitute the highest risk to the Company if not managed properly as they could have a long-term impact. Ericsson therefore reviews its long-term objectives, main strategies and business scope on an annual basis and continuously works on its tactics to reach these objectives and to mitigate any risks identified.

In the annual strategy and target setting process, objectives are set for the next three to five years. Risks and opportunities are assessed and strategies are developed to achieve the objectives. The strategy process in the Company is well established and involves regions, business units and Group functions. The strategy is summarized and discussed in a yearly Leadership Summit with approximately 250 leaders from all parts of the business. By involving all parts of the business in the process, potential risks are identified early and mitigating

actions can be incorporated in the strategy and in the annual target-setting process following the finalization of the strategy.

Key components in the evaluation of risk related to Ericsson's long-term objectives include technology development, industry and market fundamentals, the development of the economy and laws and regulations.

The outcome of the strategy process forms the basis for the annual target-setting process, which involves regions, business units and Group functions. Risks related to the targets are identified as part of this process together with actions to mitigate the identified risks. Follow-up of targets, risks and mitigating actions are reported and discussed continuously in business unit and region steering groups and are reviewed by the Board of Directors.

Ericsson continuously strives to improve its risk management and believes that it is important that the entire global organization takes part in the risk management and strategy work. The risk management framework implemented during 2012 has been further developed and qualified during 2013. For more information on risks related to Ericsson's business, see the chapter "Risk factors" in the Annual Report.

Strategy, target-setting and risk management cycle

The annual strategy, target-setting and risk management cycle is part of Ericsson's strategy process, which is well-established within the Group and involves regions, business units and Group functions.



Operational and financial risks

Operational risks are owned and managed by operational units. Risk management is embedded in various process controls, such as decision tollgates and approvals. Certain cross-process risks are centrally coordinated, such as information security, IT security, corporate responsibility and business continuity and insurable risks. Financial risk management is governed by a Group policy and carried out by the Treasury and Customer Finance functions, both supervised by the Finance Committee. The policy governs risk exposures related to foreign exchange, liquidity/financing, interest rates, credit risk and market price risk in equity instruments. For further information on financial risk management, see Notes to the consolidated financial statements – Note C14, “Trade receivables and customer finance,” Note C19, “Interest-bearing liabilities” and Note C20, “Financial risk management and financial instruments” in the Annual Report.

Compliance risks

Ericsson has implemented Group policies and directives in order to comply with applicable

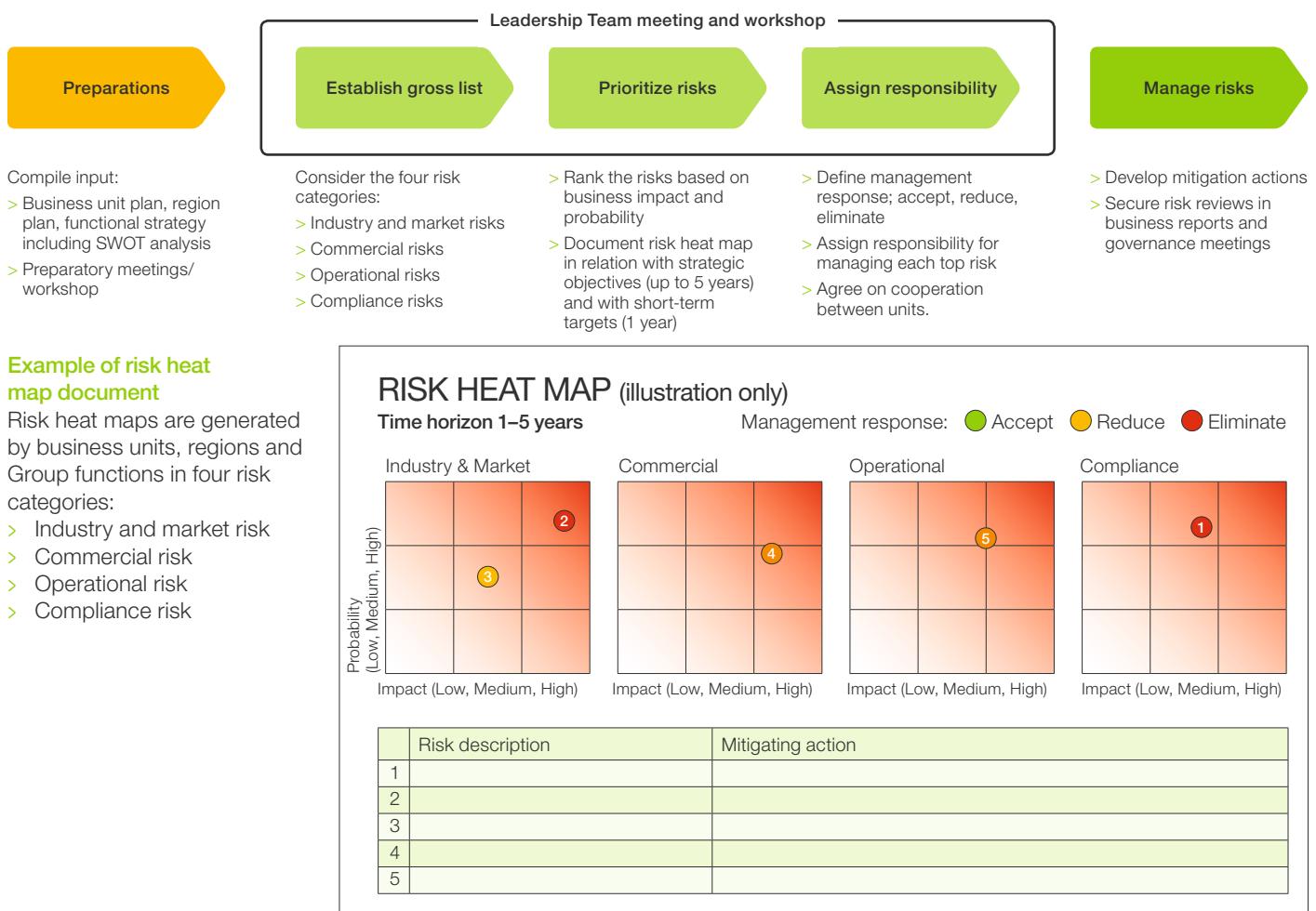
laws and regulations, including a Code of Business Ethics and a Code of Conduct. Risk management is integrated in the Company's business processes. Policies and controls are implemented to comply with financial reporting standards and stock market regulations.

Risk mitigation

Significant ongoing activities in order to mitigate risks include:

- > Establishing flexibility to cost-effectively accommodate to fluctuations in customer demand
- > Conducting regular supplier Code of Conduct audits
- > Continuously assessing and managing CR risks
- > Conducting business continuity management in an efficient way
- > Conducting corporate governance training as needed
- > Continuously monitoring information systems to guard against data breaches
- > Reviewing top risks and mitigating actions at various internal governance meetings.

Process to identify and manage strategic and tactical risks for regions, business units and Group functions



Example of risk heat map document

Risk heat maps are generated by business units, regions and Group functions in four risk categories:

- > Industry and market risk
- > Commercial risk
- > Operational risk
- > Compliance risk

MEMBERS OF THE EXECUTIVE LEADERSHIP TEAM



Hans Vestberg*President and CEO (since 2010)*

Born 1965. Bachelor of Business Administration and Economics, University of Uppsala, Sweden.

Board Chairman: Svenska Handbollförbundet.

Board Member: Telefonaktiebolaget LM Ericsson and Thernlunds AB.

Holdings in Ericsson ¹⁾: 217,185 Class B shares.

Background: Previously, First Executive Vice President, CFO and Head of Group Function Finance and Executive Vice President and Head of Business Unit Global Services. Various positions in the Group since 1988, including Vice President and Head of Market Unit Mexico and Head of Finance and Control in USA, Brazil and Chile. International advisor to the Governor of Guangdong, China and co-chairman of the Russian-Swedish Business Council. Founding member of the Broadband Commission for Digital Development, and heading the Commission's task group on the post-2015 development agenda. Member of the Leadership Council of the United Nations Sustainable Development Solutions Network.

Jan Frykhammar*Executive Vice President, Chief Financial Officer and Head of Group Function Finance (since 2009)*

Born 1965. Bachelor of Business Administration and Economics, University of Uppsala, Sweden.

Board Member: The Swedish International Chamber of Commerce.

Holdings in Ericsson ¹⁾: 22,985 Class B shares.

Background: Previously Senior Vice President and Head of Business Unit Global Services. Various positions within Ericsson including Sales and Business Control in Business Unit Global Services, CFO in North America and Vice President, Finance and Commercial within the Global Customer Account Vodafone.

Magnus Mandersson*Executive Vice President (since 2011) and Head of Business Unit Global Services (since 2010)*

Born 1959. Bachelor of Business Administration, University of Lund, Sweden.

Board Member: None.

Holdings in Ericsson ¹⁾: 33,504 Class B shares.

Background: Previously Head of Business Unit CDMA, Market Unit Northern Europe, Global Customer Account Deutsche Telekom AG and Product Area Managed Services. Has also been President and CEO of SEC/ Tele2 Europe and COO of Millicom International Cellular S.A.

Johan Wibergh*Executive Vice President (since 2010) and Head of Business Unit Networks (since 2008)*

Born 1963. Master of Computer Science, Linköping Institute of Technology, Sweden.

Board Member: Confederation of Swedish Enterprise, KTH Royal Institute of Technology and Teknikföretagen.

Holdings in Ericsson ¹⁾: 55,012 Class B shares.

Background: Previously President of Ericsson

Brazil, President of Market Unit Nordic and Baltics and Vice President and Head of Sales at Business Unit Global Services.

Per Borgklint*Senior Vice President and Head of Business Unit Support Solutions (since 2011)*

Born 1972. Master of Science in Business Administration, Jönköping International Business School, Sweden.

Board Member: None.

Holdings in Ericsson ¹⁾: 5,000 Class B shares.

Background: Previously CEO of Net1 (Ice.net), Canal Plus Nordic and Versatelia. Has also held several leading positions at Tele2.

Bina Chaurasia*Senior Vice President, Chief Human Resources Officer and Head of Group Function Human Resources (since 2010)*

Born 1962. Master of Science in Management and Human Resources, Ohio State University, USA, and Master of Arts in Philosophy, University of Wisconsin, USA.

Board Member: None.

Holdings in Ericsson ¹⁾: 22,677 Class B shares.

Background: Joined Ericsson from Hewlett Packard, where she was Vice President of Global Talent Management. Has held senior HR leadership roles at Gap, Sun Microsystems and PepsiCo/Yum.

Ulf Ewaldsson*Senior Vice President, Chief Technology Officer and Head of Group Function Technology (since 2012)*

Born 1965. Master of Science in Engineering and Business Management, Linköping Institute of Technology, Sweden.

Board Member: Lund University.

Holdings in Ericsson ¹⁾: 22,177 Class B shares.

Background: Previously Head of Product Area Radio within Business Unit Networks. Has held various managerial positions within Ericsson since 1990. Member of the European Cloud Partnership Steering Board.

Douglas L. Gilstrap*Senior Vice President and Head of Group Function Strategy (since 2009) and Chairman of Business Unit Modems (since 2013)*

Born 1963. Bachelor of Science in Accounting, University of Richmond, USA, and Master of Business Administration, Emory University, Atlanta, USA. Executive program at INSEAD, France.

Board Member: None.

Holdings in Ericsson ¹⁾: 22,727 Class B shares.

Background: Has held various global managerial positions within the telecommunications sector for more than 18 years.

The Board memberships and Ericsson holdings reported above are as of December 31, 2013.

¹⁾ The number of shares includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

MEMBERS OF THE EXECUTIVE LEADERSHIP TEAM CONTINUED

Nina Macpherson

Senior Vice President, General Counsel, Head of Group Function Legal Affairs and secretary to the Board of Directors (since 2011)

Born 1958. Master of Laws, LL.M., University of Stockholm, Sweden.

Board Member: The Association for Swedish Listed Companies and the Arbitration Institute of the Stockholm Chamber of Commerce (SCC).

Holdings in Ericsson ¹⁾: 11,560 Class B shares.

Background: Previously Vice President and Deputy Head of Group Function Legal Affairs at Ericsson. Previous positions also include private practice and in-house attorney. Member of the Swedish Securities Council.

Helena Norrman

Senior Vice President, Chief Communications Officer and Head of Group Function Communications (since 2011)

Born 1970. Master of International Business Administration, Linköping University, Sweden.

Board Member: None.

Holdings in Ericsson ¹⁾: 12,621 Class B shares.

Background: Previously Vice President, Communications Operations at Group Function Communications at Ericsson. Has held various positions within Ericsson's global communications organization since 1998. Previous positions as communications consultant.

Mats H. Olsson

Senior Vice President and Head of Asia-Pacific (since January 2013)

Born 1954. Master of Business Administration, Stockholm School of Economics, Sweden.

Board Member: None.

Holdings in Ericsson ¹⁾: 75,754 Class B shares.

Background: International economic advisor to a number of Chinese provincial and municipal governments. Head of Region North East Asia, 2010–2012. Has held various executive positions across the Asia-Pacific region for more than 25 years, including Head of Market Unit Greater China and Head of Market Unit South East Asia.

Rima Qureshi

Senior Vice President Strategic Projects (since January 2013)

Born 1965. Bachelor of Information Systems and Master of Business Administration, McGill University, Montreal, Canada.

Board Member: MasterCard Incorporated.

Holdings in Ericsson ¹⁾: 6,076 Class B shares.

Background: Also serves as Head of Ericsson Response. Head of Business Unit CDMA Mobile Systems 2010–2012. Previously Vice President of Strategic Improvement Program and Vice President Product Area Customer Support. Has held various positions within Ericsson since 1993.

Angel Ruiz

Head of Region North America (since 2010)

Born 1956. Bachelor of Electrical Engineering, University of Central Florida, USA, and Master of Management Science and Information Systems, Johns Hopkins University, USA.

Board Member: CTIA.

Holdings in Ericsson ¹⁾: 59,933 Class B shares.

Background: Joined Ericsson in 1990 and has held a variety of technical, sales and managerial positions within the Company, including heading up the global account teams for Cingular/SBC/BellSouth (now AT&T). Was appointed President of Ericsson North America in 2001. Member of National Security Telecommunications Advisory Committee (NSTAC).

Anders Thulin

Senior Vice President, Chief Information Officer and Head of Group Function Business Excellence and Common Functions (since October 2013)

Born 1963. Degree in Economics and Business Administration from Stockholm School of Economics, Sweden, including MBA studies at the Western University, Ivey Business School, Canada.

Board Member: None.

Holdings in Ericsson ¹⁾: None.

Background: Joined Ericsson from McKinsey & Co where he was senior partner. Has more than 20 years of experience in implementing business excellence across diverse industries, including IT and telecom.

Jan Wäreby

Senior Vice President and Head of Sales and Marketing (since 2011)

Born 1956. Master of Science, Chalmers University, Gothenburg, Sweden.

Board Member: None.

Holdings in Ericsson ¹⁾: 82,286 Class B shares.

Background: Senior Vice President and Head of Business Unit Multimedia and Executive Vice President and Head of Sales and Marketing for Sony Ericsson Mobile Communications.

The Board memberships and Ericsson holdings reported above are as of December 31, 2013.

¹⁾ The number of shares includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

AUDITOR

According to the Articles of Association, the Parent Company shall have no less than one and no more than three registered public accounting firms as external independent auditor. Ericsson's auditor is currently elected each year at the AGM pursuant to the Swedish Companies Act, which provides that the mandate period of an auditor shall be one year, unless the Articles of Association provide for a longer mandate period of up to four years. The auditor reports to the shareholders at General Meetings.

The duties of the auditor include:

- › Updating the Board of Directors regarding the planning, scope and content of the annual audit work
- › Reviewing the interim reports for the third and fourth quarters and the year-end financial statements to assess that the financial statements are presented fairly in all material respects
- › Advising the Board of Directors of non-audit services performed, the consideration paid and other issues that determine the auditor's independence.

For further information on the contacts between the Board and the auditor, please see "Work of the Board of Directors" earlier in this Corporate Governance Report.

Auditing work is carried out by the auditor continuously throughout the year. The auditor signs review opinions over Ericsson's interim financial reports for the third and fourth quarters and signs an audit opinion over the Annual Report.

Current auditor

PricewaterhouseCoopers AB was elected auditor at the AGM 2013 for a period of one year, i.e. until the close of the AGM 2014.

PricewaterhouseCoopers AB has appointed Peter Nyllinge, Authorized Public Accountant, to serve as auditor in charge.

Fees to the auditor

Ericsson paid the fees (including expenses) for audit-related and other services listed in the table in Notes to the consolidated financial statements – Note C30, "Fees to auditors" in the Annual Report.

INTERNAL CONTROL OVER FINANCIAL REPORTING 2013

This section has been prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code and is limited to internal control over financial reporting.

Since Ericsson is listed in the United States, the requirements outlined in the Sarbanes-Oxley Act (SOX) apply. These regulate the establishment and maintenance of internal controls over financial reporting as well as

management's assessment of the effectiveness of the controls.

In order to support high quality reporting and to meet the requirement of SOX, the Company has implemented detailed documented controls and testing and reporting procedures based on the internationally established COSO framework for internal control. The COSO framework is issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's internal control report according to SOX will be included in Ericsson's Annual Report on Form 20-F and filed with the SEC in the United States.

During 2013, the Company has included operations of acquired entities as well as continued to improve the design and execution of its financial reporting controls.

Disclosure policies

Ericsson's financial disclosure policies aim to ensure transparent, relevant and consistent communication with equity and debt investors on a timely, fair and equal basis. This will support a fair market value for Ericsson securities. Ericsson wants current and potential investors to have a good understanding of how the Company works, including operational performance, prospects and potential risks.

To achieve these objectives, financial reporting and disclosure must be:

- › Transparent – enhancing understanding of the economic drivers and operational performance of the business, building trust and credibility
- › Consistent – comparable in scope and level of detail to facilitate comparison between reporting periods
- › Simple – to support understanding of business operations and performance and to avoid misinterpretations
- › Relevant – with focus on what is relevant to Ericsson's stakeholders or required by regulation or listing agreements, to avoid information overload
- › Timely – with regular scheduled disclosures as well as ad-hoc information, such as press releases on important events, performed in a timely manner
- › Fair and equal – where all material information is published via press releases to ensure that the whole investor community receives the information at the same time
- › Complete, free from material errors and a reflection of best practice – disclosure is compliant with applicable financial reporting standards and listing requirements and in line with industry norms.

Ericsson's website comprises comprehensive information on the Group, including:

- › An archive of annual and interim reports
- › Access to recent news.

Disclosure controls and procedures

Ericsson has controls and procedures in place to allow for timely information disclosure under applicable laws and regulations, including the US Securities Exchange Act of 1934, and under agreements with NASDAQ OMX Stockholm and NASDAQ New York. These procedures also require that such information is provided to management, including the CEO and CFO, so timely decisions can be made regarding required disclosure.

The Disclosure Committee comprises members with various expertise. It assists the management in fulfilling their responsibility regarding disclosures made to the shareholders and the investment community. One of the main tasks of the committee is to monitor the integrity and effectiveness of the disclosure controls and procedures.

Ericsson has investments in certain entities that the Company does not control or manage. With respect to such entities, disclosure controls and procedures are substantially more limited than those maintained with respect to subsidiaries.

Ericsson's President and CEO and the CFO evaluated the Company's disclosure controls and procedures and concluded that they were effective at a reasonable assurance level as of December 31, 2013. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Internal control over financial reporting

Ericsson has integrated risk management and internal control into its business processes. As defined in the COSO framework, internal control is an aggregation of components such as a control environment, risk assessment, control activities, information and communication and monitoring.

During the period covered by the Annual Report 2013, there were no changes to the internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

Control environment

The Company's internal control structure is based on the division of tasks between the Board of Directors and its Committees and the President and CEO. The Company has

implemented a management system that is based on:

- Steering documents, such as policies, directives and a Code of Business Ethics
- A strong corporate culture
- The Company's organization and mode of operations, with well-defined roles and responsibilities and delegations of authority
- Several well-defined Group-wide processes for planning, operations and support.

The most essential parts of the control environment relative to financial reporting are included in steering documents and processes for accounting and financial reporting. These steering documents are updated regularly to include, among other things:

- Changes to laws
- Financial reporting standards and listing requirements, such as IFRS and SOX.

The processes include specific controls to be performed to ensure high quality financial reports. The management of each reporting legal entity, region and business unit is supported by a financial controller function with execution of controls related to transactions and reporting. The financial controller functions are organized in a number of Company Control Hubs, each supporting a number of legal entities within a geographical area. A financial controller function is also established on Group level, reporting to the CFO.

Risk assessment

Risks of material misstatements in financial reporting may exist in relation to recognition and measurement of assets, liabilities, revenue and cost or insufficient disclosure. Other risks related to financial reporting include fraud, loss or embezzlement of assets and undue favorable treatment of counterparties at the expense of the Company.

Policies and directives regarding accounting and financial reporting cover areas of particular significance to support correct, complete and timely accounting, reporting and disclosure.

Identified types of risks are mitigated through well-defined business processes with integrated risk management activities, segregation of duties and appropriate delegation of authority. This requires specific approval of material transactions and ensures adequate asset management.

Control activities

The Company's business processes include financial controls regarding the approval and accounting of business transactions. The financial closing and reporting process has controls regarding recognition, measurement and disclosure. These include the application of critical accounting policies and estimates, in individual subsidiaries as well as in the consolidated accounts.

Regular analyses of the financial results for each subsidiary, region and business unit cover the significant elements of assets, liabilities, revenues, costs and cash flow. Together with further analysis of the consolidated financial statements performed at Group level, these procedures are designed to produce financial reports without material errors.

For external financial reporting purposes, the Disclosure Committee performs additional control procedures to review whether the disclosure requirements are fulfilled.

The Company has implemented controls to ensure that financial reports are prepared in accordance with its internal accounting and reporting policies and IFRS as well as with relevant listing regulations. It maintains detailed documentation on internal controls related to accounting and financial reporting. It also keeps records on the monitoring of the execution and results of such controls. This allows the President and CEO and the CFO to assess the effectiveness of the controls in a way that is compliant with SOX.

Entity-wide controls, focusing on the control environment and compliance with financial reporting policies and directives, are implemented in all subsidiaries. Detailed process controls and documentation of controls performed are also implemented in almost all subsidiaries, covering the items with significant materiality and risk.

In order to secure compliance, governance and risk management in the areas of legal entity accounting and taxation, as well as securing funding and equity levels, the Company operates through a Company Control hub structure, covering subsidiaries in each respective geographical area.

Based on a common IT platform, a common chart of account and common master data, the hubs and shared services centers perform accounting and financial reporting services for most subsidiaries.

Information and communication

The Company's information and communication channels support complete, correct and timely financial reporting by making all relevant internal process instructions and policies accessible to all the employees concerned. Regular updates and briefing documents regarding changes in accounting policies, reporting and disclosure requirements are also supplied.

Subsidiaries and operating units prepare regular financial and management reports for internal steering groups and Company management. These include analysis and comments on financial performance and risks. The Board of Directors receives financial reports monthly. Ericsson has established a whistleblower procedure for the reporting of alleged violations that (i) are conducted by Group or local management, and (ii) relate to corruption, questionable accounting or auditing matters or otherwise seriously affect vital interests of the Group or personal health and safety.

Monitoring

The Company's process for financial reporting is reviewed annually by the management. This forms a basis for evaluating the internal management system and internal steering documents to ensure that they cover all significant areas related to financial reporting. The shared service center and company control hub management continuously monitor accounting quality through a set of performance indicators. Compliance with policies and directives is monitored through annual self-assessments and representation letters from heads and company controllers in all subsidiaries as well as in business units and regions.

The Company's financial performance is also reviewed at each Board meeting. The Committees of the Board fulfill important monitoring functions regarding remuneration, borrowing, investments, customer finance, cash management, financial reporting and internal control. The Audit Committee and the Board of Directors review all interim and annual financial reports before they are released to the market. The Company's internal audit function reports directly to the Audit Committee. The Audit Committee also receives regular reports from the external auditor. The Audit Committee follows up on any actions taken to improve or modify controls.

BOARD OF DIRECTORS

Stockholm, March 5, 2014
Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016–0680

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

**To the Annual General Meeting of the shareholders in Telefonaktiebolaget
LM Ericsson (publ), Corporate Identity Number 556016-0680.**

It is the Board of Directors who is responsible for the corporate governance report for the year 2013 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance

report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm March 5, 2014
PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant

PLAY, PAUSE, RESUME ELSEWHERE

With the rise in streaming services on tablets and smartphones, consumers can now view the content of their choice from any device. As a result, people are increasingly changing the locations where they watch TV to suit their daily lives.

They might start viewing a show at home, pause it, and resume watching during their commute to work. When moving between locations, it can also make sense to switch device. We might start watching an episode of our favorite show on a laptop, stop it midway through, continue on a smartphone and catch the end on a tablet.

19%

19% of streamed time is spent on phones or tablets.



REMUNERATION REPORT

INTRODUCTION

This report outlines how the remuneration policy is implemented throughout Ericsson in line with corporate governance best practice, with specific references to Group management. The work of the Remuneration Committee in 2013 and the remuneration policy are explained at the beginning of the report, followed by descriptions of plans and their outcome.

More details of the remuneration of Group management and Board members' fees can be found in the Notes to the Consolidated financial statements – Note C28, "Information regarding members of the Board of Directors, the Group management and employees."

Board member remuneration is resolved annually by the Annual General Meeting.

THE REMUNERATION COMMITTEE

The Remuneration Committee advises the Board of Directors on a regular basis on the remuneration to the Group management, consisting of the Executive Leadership Team (ELT). This includes fixed salaries, pensions, other benefits and short-term and long-term variable compensation, all in the context of pay and employment conditions throughout Ericsson. The Remuneration Committee reviews and prepares for resolution by the Board:

- Proposals on salary and other remuneration, including retirement compensation, for the President and CEO
- Proposals on targets for the short-term variable compensation for the President and CEO
- Proposals to the Annual General Meeting on guidelines for remuneration to the ELT
- Proposals to the Annual General Meeting on long-term variable compensation and similar equity arrangements

The responsibility of the Remuneration Committee is also to:

- Approve proposals on salary and other remuneration, including retirement compensation, for the Executive Vice Presidents and other ELT members.
- Approve proposals on targets for the short-term variable compensation for the Executive Vice Presidents and other ELT members.

REMUNERATION POLICY

Remuneration at Ericsson is based on the principles of performance, competitiveness and fairness. The remuneration policy, together with the mix of remuneration elements, is designed to reflect these principles by creating a balanced remuneration package. The Guidelines for remuneration to Group management 2013, approved by the AGM, can be found in Note C28. The auditor's report regarding whether the company has complied with the guidelines for compensation to the ELT during 2013 is posted on the Ericsson website.

- Approve pay out of the short-term variable compensation for the ELT, based on achievements and performance.
- The Remuneration Committee's work forms the foundation for the governance of Ericsson's remuneration processes, together with Ericsson's internal systems and audit controls. The Committee is chaired by Leif Johansson and its other members are Börje Ekholm, Roxanne S. Austin, and Karin Åberg. All the members are non-executive directors, independent (except for the employee representative) as required by the Swedish Corporate Governance Code and have relevant knowledge and experience of remuneration matters.

The Company's General Counsel acts as secretary to the Committee. The President and CEO, the Senior Vice President, Head of Human Resources and the Vice President, Head of Total Rewards attend Remuneration Committee meetings by invitation and assist the Committee in its considerations, except when issues relating to their own remuneration are being discussed.

The Remuneration Committee has appointed an independent expert advisor, Pia Pilv, to assist and advise the Committee. The independent advisor provided no other services to the Company during 2013. The Remuneration Committee is also furnished with national and international pay data collected from external survey providers and can call on other independent expertise, should it so require. The Chairman continues to ensure that contact is maintained, as necessary and appropriate, with shareholders regarding remuneration.

The purpose and function of the Remuneration Committee and its responsibilities can be found in the Corporate Governance Report. These responsibilities, together with the Guidelines for remuneration to Group management (ELT) and the Long-Term Variable compensation (LTV) program is reviewed and evaluated annually in light of matters such as changes to corporate governance best practice or changes to accounting, legislation, political opinion or business practices among peers. This helps to ensure that the policy continues to provide Ericsson with a competitive remuneration strategy.

The Guidelines for remuneration to Group management are, in accordance with Swedish law, brought to shareholders annually for approval.

The Remuneration Committee met six times during the year 2013.

The winter meetings focused on following up on results from the 2012 variable compensation programs and preparing proposals to shareholders for the 2013 Annual General Meeting (AGM). During the spring the committee determined the relocation package for a member of the ELT and proposed to the Board of Directors to approve the LTV 2010 vesting result. In the fall, the committee reviewed the Guidelines for remuneration to Group management and decided to continue the LTV program without any material changes and the STV plans with an increased weighting on functional targets for 2014. The committee based its considerations on the business needs, analyses and reviews of the global market trends and feedback from shareholders and institutions. Supported by the independent advisor, the Committee also reviewed the competitiveness of the ELT remuneration in the global market.

Evaluation of the Guidelines for remuneration to Group management and of the LTV program

The Remuneration Committee supports the Board with the review and evaluation of the Guidelines for remuneration to Group management and Ericsson's application of these guidelines. The Committee and the Board has concluded that the guidelines remain valid and right for Ericsson and that the guidelines should not be materially changed for 2014.

Furthermore, the Remuneration Committee is of the opinion that the LTV program fulfills the defined objectives to promote "One Ericsson" and to align the interests of employees with those of shareholders. The number of participants as of December 1, 2013 was approximately 29,000 employees, compared to 27,000 employees as of December 1, 2012. The evaluation also confirms that the Key Contributor Retention Plan meets the purpose of retaining our key employees. The voluntary attrition rate among Key Contributors is about two-thirds compared to the attrition rate in the total number of employees.

TOTAL REMUNERATION

When considering the remuneration of an individual, it is the total remuneration that matters. First, the total annual cash compensation is defined, consisting of the target level of short-term variable compensation plus fixed salary. Thereafter, target long-term variable compensation may be added to get to the total target compensation and, finally, pension and other benefits may be added to arrive at the total remuneration.

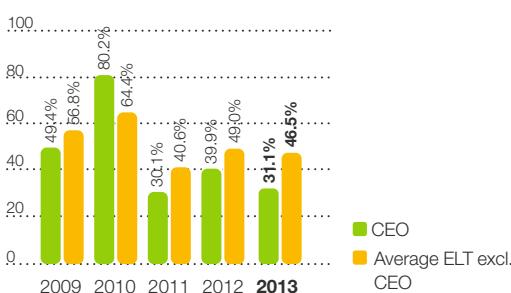
For the ELT, remuneration consists of fixed salary, short-term and long-term variable compensation, pension and other benefits. If the size of any one of these elements is increased or decreased when setting the remuneration, at least one other element has to change if the competitive position is to remain unchanged.

The remuneration costs for the CEO and the ELT are reported in Note C28.

Fixed salary

When setting fixed salaries, the Remuneration Committee considers the impact on total remuneration, including pensions and associated costs. The absolute levels are determined based on the size and complexity of the position and the year-to-year performance of the individual. Together with other elements of remuneration, ELT salaries are subject to an annual review by the Remuneration Committee, which considers external pay data to ensure that levels of pay remain competitive and appropriate to the remuneration policy.

Short-term variable compensation payouts as percentage of opportunity



Variable compensation

Ericsson strongly believes that, where possible, variable compensation should be encouraged as an integral part of total remuneration. First and foremost, this aligns employees with clear and relevant targets, but it also enables more flexible payroll costs and emphasizes the link between performance and pay.

All variable compensation plans have maximum award and vesting limits. Short-term variable compensation is to a greater extent dependent on the performance of the specific unit or function, while long-term variable compensation is dependent on the achievements of the Ericsson Group.

As described in the section "Our Performance," Ericsson measures business performance according to five categories of measurements derived from the overall strategy: growing sales faster than market, best-in-class operating margin, strong cash conversion, customer satisfaction and employee engagement. These categories form the basis for our short- and long-term variable compensation programs and set the framework of what measurements shall be used for variable compensation.

Short-term variable compensation

Annual variable compensation is delivered through cash-based programs. Specific business targets are derived from the annual business plan approved by the Board of Directors and, in turn, defined by the Company's long-term strategy. Ericsson strives to grow faster than the market with best-in-class margins and strong cash conversion and therefore the starting point is to have three core targets:

- > Net sales growth
- > Operating income
- > Cash flow.

For the ELT, targets are thus predominantly financial at either Group level (for Heads of Group functions) or at the individual unit level (for Heads of regions or business units) and may also include operational targets like customer satisfaction and employee engagement.

The chart below illustrates how payouts to the ELT have varied with performance over the past five years.

The Board of Directors and the Remuneration Committee decide on all targets for Group management which are cascaded to unit-related targets throughout the Company, always subject to a two-level management approval process. The Remuneration Committee monitors the appropriateness and fairness of Group target levels throughout the performance year and has the authority to revise them should they cease to be relevant or stretching or to enhance shareholder value.

During 2013, approximately 77,000 employees participated in short-term variable compensation plans.

Fixed salary, short-term and long-term variable compensation as percentage of total target compensation



Summaries of 2013 short- and long-term variable compensation

What we call it	What is it?	What is the objective?	Who participates?	How is it earned?
Short-term: Compensation delivered over twelve months or less				
Fixed salary	Fixed compensation paid at set times	Attract and retain employees, delivering part of annual compensation in a predictable format	All employees	Market appropriate levels set according to position and evaluated according to individual performance
Short-Term Variable compensation (STV)	A variable plan that is measured and paid over a single year	Align employees with clear and relevant targets, providing an earnings opportunity in return for performance, and flexible cost	Enrolled employees, including Executive Leadership Team. Approximately 75,000 in 2013	Achievements against set targets. Reward can increase to up to twice the target level and decrease to zero, depending on performance
Sales Incentive Plans	Tailored versions of the STV	As for STV, tailored for local or business requirements, such as sales	Employees in sales. Approximately 2,000 in 2013	Similar to STV. All plans have maximum award and vesting limits
Long-term: Compensation delivered over three years or more				
Stock Purchase Plan (SPP)	All-employee stock-based plan	Reinforce a "One Ericsson" mentality and align employees' interests with those of shareholders	All employees are eligible	Buy one share and it will be matched by one share after three years if still employed
Key Contributor Retention Plan (KC)	Share-based plan for selected individuals	Recognize, retain and motivate key contributors for performance, critical skills and potential	Up to 10% of employees	If selected, get one more matching share in addition to the SPP one
Executive Performance Stock Plan (EPSP)	Share-based plan for senior managers	Compensation for long-term commitment and value creation	Senior managers, including Executive Leadership Team	Get up to four, six or, for CEO, nine further shares matched to each SPP share for long-term performance

Long-term variable compensation

Share-based long-term variable compensation plans are submitted each year for approval by shareholders at the AGM. All long-term variable compensation plans are designed to form part of a well-balanced total remuneration package and to span over a minimum of three years. As these are variable plans, outcomes are unknown and rewards depend on long-term personal investment, corporate performance and resulting share price performance. During 2013, share-based compensation was made up of three different but linked plans: the all-employee Stock Purchase Plan, the Key Contributor Retention Plan and the Executive Performance Stock Plan.

The Stock Purchase Plan

The all-employee Stock Purchase Plan is designed to offer, where practicable, an incentive for all employees to participate. This reinforces "One Ericsson," aligned with shareholder interests. Employees can save up to 7.5% of gross fixed salary (the President and CEO can save up to 10% of gross fixed salary and short-term variable compensation) for purchase of Class B shares at market price on NASDAQ OMX Stockholm or ADSs on NASDAQ New York (contribution shares) over a 12-month period. If the contribution shares are retained by the employee for three years after the investment and employment with the Ericsson Group continues during that time, the employee's shares will be matched with a corresponding number of Class B

shares or ADSs, as applicable. The plan was introduced in 2002 and employees in 71 countries participated during its first year. In December 2013, the number of participants was over 29,000, or approximately 29% of eligible employees in 100 countries.

Participants save each month, beginning with the August payroll, towards quarterly investments. These investments (in November, February, May and August) are matched on the third anniversary of each such investment and hence the matching spans over two financial years and two tax years.

The Key Contributor Retention Plan

The Key Contributor Retention Plan is part of Ericsson's talent management strategy. It is designed to recognize individuals for performance, critical skills and potential as well as to encourage retention of key employees.

Under the program, operating units around the world can nominate up to 10% of employees worldwide. Each unit nominates individuals that have been identified according to performance, critical skills and potential. The nominations are calibrated in management teams locally and are reviewed by both local and corporate Human Resources to ensure that there is a minimum of bias and a strong belief in the system.

Participants selected obtain one extra matching share in addition to the one matching share for each contribution share purchased under the Stock Purchase Plan during a 12-month investment period. The plan was introduced in 2004.

Short-term variable compensation structure

	Short-term variable compensation as percentage of fixed salary			Percentage of short-term variable compensation maximal opportunity		
	Target level	Maximum level	Actual paid for 2012	Group financial targets	Unit/functional financial targets	Non-financial targets
CEO 2012	40%	80%	32%	90%	0%	10%
CEO 2013	40%	80%	25%	100%	0%	0%
Average ELT 2012 ¹⁾	36%	72%	37%	49%	27%	24%
Average ELT 2013 ¹⁾	37%	74%	36%	53%	25%	22%

¹⁾ Excludes CEO – differences in target and maximum levels from year to year are due to changes in the composition of the ELT.

The Executive Performance Stock Plan

The Executive Performance Stock Plan was first introduced in 2004. The plan is designed to focus management on driving long-term financial performance and to provide market-competitive remuneration. Senior managers, including the ELT, are selected to obtain up to four or six extra shares (performance-matching shares). This is in addition to the one matching share for each contribution share purchased under the all-employee Stock Purchase Plan. Performance matching is subject to the fulfillment of performance targets. Since 2010, the President and CEO may obtain up to nine performance-matching shares in addition to the Stock Purchase Plan matching share for each contribution share.

In the 2004 to 2010 plans, the performance targets were Earnings Per Share (EPS) targets.

To support the long-term strategy and value creation of the Company, new targets have been in place since the 2011 plan. At the AGM 2013, the following targets for the 2013 Executive Performance Stock Plan were resolved on proposal by the Board:

- Net Sales Growth: Up to one-third of the award will vest if the compound annual growth rate of consolidated net sales is between 2 and 8% comparing 2015 financial results to 2012
- Operating Income Growth: Up to one-third of the award will vest if the compound annual growth rate of consolidated operating income is between 5 and 15% comparing 2015 financial results to 2012
- Cash Conversion: Up to one third of the award will vest if cash conversion is at or above 70% during each of the years 2013-2015 and vesting one ninth of the total award for each year the target is achieved.

Before the number of performance shares to be matched are finally determined, the Board of Directors shall examine whether the performance matching is reasonable considering the Company's financial results and position, conditions on the stock market and other circumstances, and if not, as determined by the Board of Directors, reduce the number of performance shares to be matched to the lower number of shares deemed appropriate by the Board of Directors. When undertaking its evaluation of performance, the Board of Directors will consider, in particular, the impact of larger acquisitions, divestitures, the creation of joint ventures and any other significant capital event on the three targets on a case-by-case basis.

Benefits and terms of employment

Pension benefits follow the competitive practice in the employee's home country and may contain various supplementary plans, in addition to any national system for social security. Where possible, pension plans are operated on a defined contribution basis. Under these plans, Ericsson pays in contributions but does not guarantee the ultimate benefit, unless local regulations or legislation prescribe that defined benefit plans that do give such guarantees have to be offered.

For the President and CEO and other members of the ELT employed in Sweden before 2011, a supplementary pension plan is applied in addition to the occupational pension plan for salaried staff on the Swedish labor market (ITP). The retirement age for these ELT members is normally 60 years.

The ELT members employed in Sweden from 2011 are normally covered by the defined contribution plan under the ITP1 scheme, with a retirement age of 65 years.

For members of the ELT who are not employed in Sweden, local market competitive pension arrangements apply.

Other benefits, such as company cars and medical insurance, are also set to be competitive in the local market. The ELT members may not receive loans from the Company.

The ELT members locally employed in Sweden have a mutual notice period of up to six months. Upon termination of employment by the Company, severance pay can amount to up to 18 months' fixed salary. For other ELT members, different notice periods and severance pay agreements apply; however, no agreement exceeds the notice period of six months or the severance pay period of 18 months.

REMUNERATION POLICY IN PRACTICE

Ericsson has taken a number of measures since 2011 to enhance the understanding of how the company translates remuneration principles and policy into practice. The first step was the launch of an internal remuneration website in January 2011. The site contains e-learning and training programs targeted at line managers. It supports more informed decisions and better communication to the wider employee population. The next step in this development was the implementation of an Integrated Human Resources IT tool in 2012. The first phase was launched to all managers in Ericsson in November 2012 and covered performance management, talent planning, variable compensation and annual salary review. The second implementation phase of this IT tool, with enhancements and increased scope, was launched at the end of 2013.

SHARE INFORMATION

STOCK EXCHANGE TRADING

The Ericsson Class A and Class B shares are listed on NASDAQ OMX Stockholm. In the United States, the Class B shares are listed on NASDAQ New York in the form of American Depository Shares (ADS) evidenced by American Depository Receipts (ADR) under the symbol ERIC. Each ADS represents one Class B share.

In 2013, approximately 2.0 (2.4) billion shares were traded on NASDAQ OMX Stockholm and about 1.0 (1.1) billion shares were traded on NASDAQ New York. A total of 3.0 (3.5) billion Ericsson shares were thus traded on the exchanges where we are listed. Trading volume in Ericsson shares decreased by approximately 17% on NASDAQ OMX Stockholm and by approximately 12% on NASDAQ New York compared to 2012.

The Ericsson share is also traded on other venues such as BATS Europe, Burgundy, and Chi-X Europe.

Changes in number of shares and capital stock 2008–2013

		Number of shares	Share capital
2008	June 2, reverse split 1:5	3,226,451,735	16,132,258,678
2008	July 23, new issue (Class C shares, later converted to Class B)	19,900,000	99,500,000
2008	December 31	3,246,351,735	16,231,758,678
2009	June 8, new issue (Class C shares, later converted to Class B)	27,000,000	135,000,000
2009	December 31	3,273,351,735	16,366,758,678
2010	December 31	3,273,351,735	16,366,758,678
2011	December 31	3,273,351,735	16,366,758,678
2012	June 29, new issue (Class C shares, later converted to Class B) ¹⁾	31,700,000	158,500,000
2012	December 31	3,305,051,735	16,525,258,678
2013	December 31	3,305,051,735	16,525,258,678

Share performance indicators

	2013	2012	2011	2010	2009
Earnings per share, diluted (SEK) ¹⁾	3.69	1.78	3.77	3.46	1.14
Earnings per share, diluted non-IFRS (SEK) ²⁾	5.62	2.74	4.72	4.80	2.87
Operating income per share (SEK) ^{3) 4)}	5.53	3.25	5.58	7.42	5.8
Cash flow from operating activities per share (SEK) ³⁾	5.39	6.85	3.11	8.31	7.67
Stockholders' equity per share, basic, end of period (SEK) ⁵⁾	43.39	42.51	44.57	45.34	43.79
P/E ratio	21	36	19	22	57
Total shareholder return (%)	25	-3	-7	22	15
Dividend per share (SEK) ⁶⁾	3.00	2.75	2.50	2.25	2,00

¹⁾ Calculated on average number of shares outstanding, diluted.

²⁾ EPS, diluted, excluding restructuring charges, amortizations and write-downs of acquired intangible assets, SEK.

³⁾ Calculated on average number of shares outstanding, basic.

⁴⁾ For 2010 and 2009 excluding restructuring charges.

⁵⁾ Calculated on number of shares, end of period.

⁶⁾ For 2013 as proposed by the Board of Directors.

For definitions of the financial terms used, see Glossary, Financial Terminology and Exchange Rates.

The Ericsson share

Share listings

NASDAQ OMX Stockholm

NASDAQ New York

Share data

Total number of shares in issue	3,305,051,735
of which Class A shares, each carrying one vote ¹⁾	261,755,983
of which Class B shares, each carrying one tenth of one vote ¹⁾	3,043,295,752
Ericsson treasury shares, Class B	73,968,178
Quotient value	SEK 5.00
Market capitalization, December 31, 2013	approx. SEK 258 b.
ICB (Industry Classification Benchmark)	9500

Ticker codes

NASDAQ OMX Stockholm	ERIC A/ERIC B
NASDAQ New York	ERIC
Bloomberg NASDAQ OMX Stockholm	ERICA SS/ERICB SS
Bloomberg NASDAQ	ERIC US
Reuters NASDAQ OMX Stockholm	ERICa.ST/ERICb.ST
Reuters NASDAQ	ERIC.O

¹⁾ Both classes of shares have the same rights of participation in the net assets and earnings.

SHARE TREND

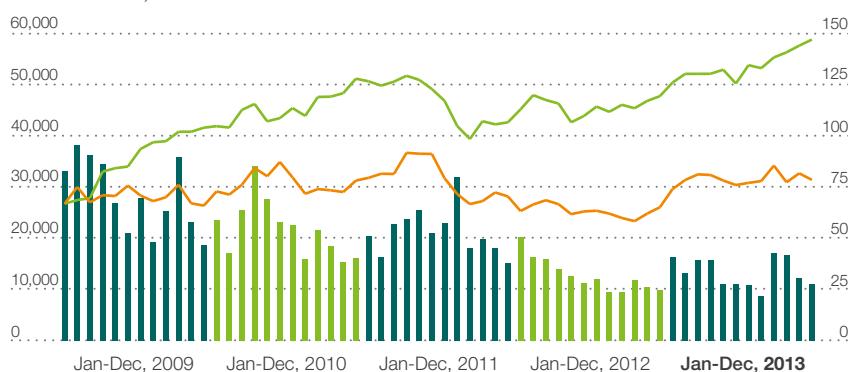
In 2013, Ericsson's total market capitalization increased by about 20% to SEK 258 billion, compared to a decrease by 7% reaching SEK 215 billion in 2012. The OMX Stockholm Index on NASDAQ OMX Stockholm increased by 23% and the NASDAQ composite index increased by 38%. The S&P 500 Index increased by 30%.

Share turnover and price trend, NASDAQ OMX Stockholm

Class A shares, SEK m



Class B shares, SEK m



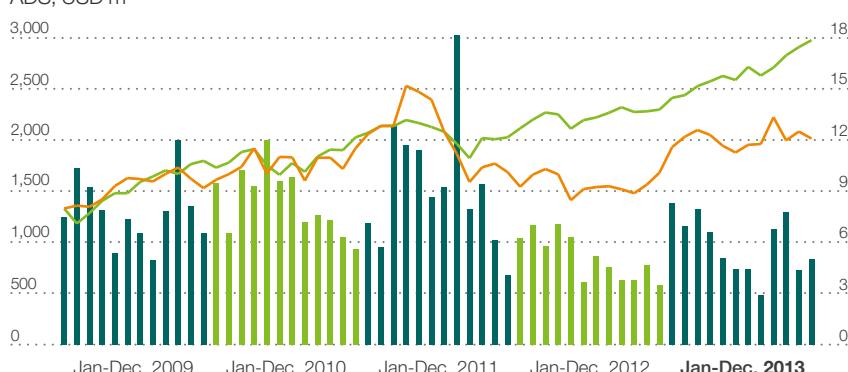
■ Turnover, SEK million — Price, SEK — NASDAQ OMX Stockholm (indexed to share price)

Volumes reflect trading on NASDAQ OMX Stockholm only.

Source: Nasdaq OMX Stockholm

Share turnover and price trend, US market

ADS, USD m



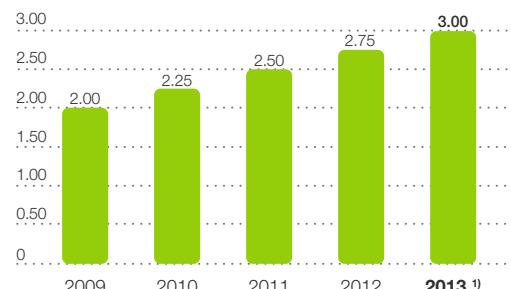
■ Turnover, USD million — Price, USD — S&P 500 (indexed to share price)

Volumes reflect trading on NASDAQ OMX Stockholm only.

Source: Nasdaq New York

Dividend per share

SEK



¹⁾ For 2013 as proposed by the Board of Directors.

Earnings per share, diluted

SEK



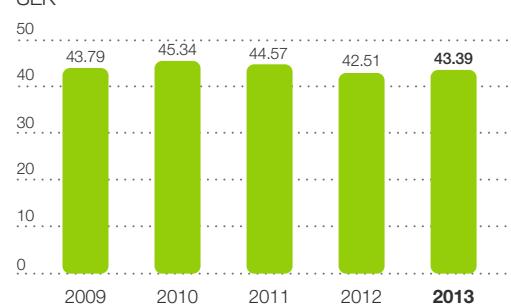
■ Earnings per share, diluted

■ Earnings per share, diluted (non-IFRS)¹⁾

¹⁾ EPS, diluted, excl. restructuring charges, amortizations and write-downs of acquired intangible assets, SEK.

Stockholders' equity per share, basic

SEK



SHARE INFORMATION CONTINUED

SHARE AND ADS PRICES

Principal trading market – NASDAQ OMX Stockholm

– share prices

The table below states the high and low share prices for our Class A and Class B shares as reported by NASDAQ OMX Stockholm for the last five years. Trading on the exchange generally continues until 5:30 p.m. (CET) each business day. In addition to trading on the exchange, there is trading off the exchange and on alternative venues during trading hours and also after 5:30 p.m. (CET).

NASDAQ OMX Stockholm publishes a daily Official Price List of Shares which includes the volume of recorded transactions in each listed stock, together with the prices of the highest and lowest recorded trades of the day. The Official Price List of Shares reflects price and volume information for trades completed by the members. The equity securities listed on the NASDAQ OMX Stockholm Official Price List of Shares currently comprise the shares of 256 companies.

Host market NASDAQ New York – ADS prices

The table below states the high and low share prices quoted for our ADSs on NASDAQ New York for the last five years. The NASDAQ New York quotations represent prices between dealers, not including retail markups, markdowns or commissions, and do not necessarily represent actual transactions.

Share prices on NASDAQ OMX Stockholm and NASDAQ New York

Period	NASDAQ OMX Stockholm				NASDAQ New York	
	SEK per Class A share		SEK per Class B share		USD per ADS ¹⁾	
	High	Low	High	Low	High	Low
Annual high and low						
2009	78.80	55.40	79.60	55.50	10.92	6.60
2010	88.40	65.20	90.45	65.90	12.39	9.40
2011	93.60	59.05	96.65	61.70	15.44	8.83
2012	72.00	55.55	71.90	55.90	10.60	8.23
2013	86.95	50.00	90.95	64.50	14.22	9.78
Quarterly high and low						
2012 First Quarter	72.00	59.25	71.90	58.15	10.53	8.58
2012 Second Quarter	69.70	58.75	69.95	59.60	10.60	8.23
2012 Third Quarter	67.00	55.95	67.80	55.90	10.05	8.23
2012 Fourth Quarter	64.90	55.55	66.85	56.60	10.21	8.31
2013 First Quarter	84.55	62.90	86.40	64.50	13.46	9.78
2013 Second Quarter	80.20	69.65	83.15	72.40	12.60	10.67
2013 Third Quarter	86.95	71.00	90.95	74.10	14.22	11.26
2013 Fourth Quarter	82.75	50.00	87.10	76.05	13.71	11.59
Monthly high and low						
August 2013	77.15	73.85	80.75	76.75	12.36	11.71
September 2013	86.95	74.30	90.95	78.15	14.22	12.36
October 2013	82.75	72.15	87.10	76.50	13.71	11.82
November 2013	80.00	50.00	83.75	76.85	12.64	11.84
December 2013	77.50	71.95	81.90	76.05	12.45	11.59
January 2014	78.45	71.55	82.50	75.05	12.58	11.52

¹⁾ One ADS = 1 Class B share.

Source: NASDAQ OMX Stockholm and NASDAQ New York.

Share prices on NASDAQ OMX Stockholm

(SEK)	2013	2012	2011	2010	2009
Class A at last day of trading	74.50	63.90	69.55	74.00	65.00
Class A high (September 16, 2013)	86.95	72.00	93.60	88.40	78.80
Class A low (November 14, 2013)	50.00	55.55	59.05	65.20	55.40
Class B at last day of trading	78.50	65.10	70.40	78.15	65.90
Class B high (September 16, 2013)	90.95	71.90	96.65	90.45	79.60
Class B low (January 9, 2013)	64.50	55.90	61.70	65.90	55.50

Source: NASDAQ OMX Stockholm.

Share prices on NASDAQ New York

(USD)	2013	2012	2011	2010	2009
ADS at last day of trading	12.24	10.10	10.13	11.53	9.19
ADS high (September 19, 2013)	14.22	10.60	15.44	12.39	10.92
ADS low (January 9, 2013)	9.78	8.23	8.83	9.40	6.60

Source: NASDAQ New York.

SHAREHOLDERS

As of December 31, 2013, the Parent Company had 516,922 shareholders registered at Euroclear Sweden AB (the Central Securities Depository – CSD), of which 1,008 holders had a US address. According to information provided by our depositary, Citibank, there were 201,138,791 ADSs outstanding as of December 31, 2013, and 4,310 registered holders of such ADSs. A significant number of Ericsson ADSs are held by banks, brokers and/or nominees for the accounts of their customers. As of January 3, 2014, the total number of bank, broker and/or nominee accounts holding Ericsson ADSs was 165,678.

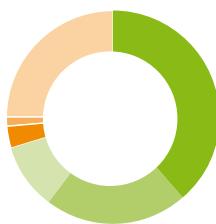
According to information known at year-end 2013, approximately 81% of our Class A and Class B shares were owned by institutions, Swedish and international.

Our major shareholders do not have different voting rights than other shareholders holding the same classes of shares.

As far as we know, the Company is not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person(s) separately or jointly.

Geographical ownership breakdown of share capital including retail shareholders and treasury shares

Percent of capital



	2013	2012
Sweden	38.65%	43.22%
United States	21.67%	20.59%
United Kingdom	10.15%	9.44%
Norway	3.26%	3.70%
Netherlands	1.49%	1.44%
Other countries	24.80%	21.61%

Source: King Worldwide

The table shows the total number of shares in the Parent Company owned by the Executive Leadership Team and Board members (including Deputy employee representatives) as a group as of December 31, 2013.

The Executive Leadership Team and Board members, ownership

	Number of Class A shares	Number of Class B shares	Voting rights, percent
The Executive Leadership Team and Board members as a group (32 persons)	0	828,323	0,01%

Includes shares held via endowment insurance, for more info see page 146 note 2
For individual holdings, see Corporate Governance Report.

The following table shows share information, as of December 31, 2013, with respect to our 15 largest shareholders, ranked by voting rights, as well as their percentage of voting rights as of December 31, 2013, 2012 and 2011.

Largest shareholders, December 31, 2013 and percentage of voting rights, December 31, 2013, 2012 and 2011

Identity of person or group ¹⁾	Number of Class A shares	Of total Class A shares, percent	Number of Class B shares	Of total Class B shares, percent	2013 Voting rights, percent	2012 Voting rights, percent	2011 Voting rights, percent
Investor AB (Investment Management)	115,762,803	44.23	59,284,545	1.95	21.50	21.37	21.48
AB Industriwärdar (Investment Management)	86,052,615	32.88	500,000	0.02	15.21	14.96	14.34
Handelsbankens Pensionsstiftelse	20,465,220	7.82	0	0.00	3.62	3.72	4.20
Swedbank Robur Fonder AB	16,795	0.01	122,129,103	4.01	2.16	2.71	2.79
AFA Försäkring AB	11,423,000	4.36	4,465,519	0.15	2.10	2.18	2.31
BlackRock Fund Advisors	0	0.00	82,330,468	2.71	1.45	1.37	1.46
Dodge & Cox, Inc.	0	0.00	77,028,778	2.53	1.36	1.14	0.96
AMF Pensionsförsäkring AB	0	0.00	75,764,586	2.49	1.34	1.26	1.34
Skandia Liv	6,406,801	2.45	10,549,642	0.35	1.32	1.31	1.36
Norges Bank Investment Management	0	0.00	65,175,818	2.14	1.15	1.36	1.24
Pensionskassan SHB Försäkringsföreningen	6,381,570	2.44	0	0.00	1.13	1.13	1.39
OppenheimerFunds, Inc.	0	0.00	61,829,103	2.03	1.09	1.10	1.20
Håndelsbanken Fonder AB	290,578	0.11	44,974,450	1.48	0.85	1.07	0.96
State Street Global Advisors	22,824	0.01	43,108,269	1.42	0.77	0.07	0.05
Aberdeen Asset Managers Ltd.	0	0.00	40,461,909	1.33	0.71	1.16	1.05
Others	14,933,777	5.71	2,355,693,562	77.41	44.25	44.10	43.87
Total	261,755,983	100	3,043,295,752	100	100	100	100

¹⁾ Source: King Worldwide



SMART METERING

Using the Ericsson Smart Metering solution, the Swedish energy company E.ON has gained more efficient management of the energy grid and the possibility to supply its customers with accurate and up-to-date information on energy consumption.

The solution gathers data from more than 600,000 metering points in Sweden on a daily basis and provides the collected information to E.ON's internal IT environment.

The smart meter technology opens up new possibilities, allowing improvements in transparency, data quality, load management and reductions in process costs.

In the Nordic region, Sweden has spearheaded the development of smart metering, and the technology is now spreading across Europe. Additionally, Ericsson is currently supplying clients in Canada and Australia with solutions and services for smart metering, providing valuable experience ranging from managed services to field support.

GLOSSARY

2G

The first digital generation of mobile systems. Includes GSM, TDMA, PDC and cdmaOne.

3G

Third generation mobile system. Includes WCDMA/HSPA, CDMA2000 and TD-SCDMA.

4G

See LTE.

All-IP

A single, common IP infrastructure that can handle all network services, including fixed and mobile communications, for voice and data services as well as video services such as TV.

Backhaul

Transmission between radio base stations and the core network.

BSS

Business support systems.

CAGR

Compound Annual Growth Rate.

Capex

Capital expenditure.

Carrier grade

(Also telecom grade) refers to a system, or a hardware or software component, with at least "five nines", i.e. 99.999%, availability.

CDMA

Code Division Multiple Access. A radio technology on which the cdmaOne (2G) and CDMA2000 (3G) mobile communication standards are both based.

Cloud

When data and applications reside in the network.

EDGE

An enhancement of GSM. Enables the transmission of data at speeds up to 250 kbps (Evolved EDGE up to 1 Mbps.)

GDP

Gross Domestic Product. The total annual cost of all finished goods and services produced within a country.

GSM

Global System for Mobile Communications. A first digital generation mobile system.

CO₂e

The amount of a particular greenhouse gas, expressed as the amount of carbon dioxide that gives the same greenhouse effect.

EPC

Evolved Packet Core. The core network of the LTE system.

Heterogeneous network

Densification and enhancement of a network to increase capacity.

HSPA

High Speed Packet Access. Enhancement of 3G/WCDMA that enables mobile broadband.

ICT

Information and Communication Technology.

IMS

IP Multimedia Subsystem. A standard for voice and multimedia services over mobile and fixed networks using IP.

IP

Internet Protocol. Defines how information travels between network elements across the internet.

IPR

Intellectual Property Rights.

IPTV

IP Television. A technology that delivers digital television via fixed broadband access.

JV

Joint Venture.

LTE

Long-Term Evolution. 4G; the evolutionary step of mobile technology beyond HSPA, allowing data rate above 100 Mbps.

M-commerce

Mobile commerce.

M2M

Machine-to-machine communication.

Managed services

Management of operator networks and/or hosting of their services.

Mobile broadband

Wireless high-speed internet access using the HSPA, LTE and CDMA2000EV-DO technologies.

Networked Society

Ericsson's vision of what will happen when everything that can benefit from being connected is connected, empowering people, business and society.

OSS

Operations Support Systems.

Penetration

The number of subscriptions divided by the population in a geographical area.

Psi Ψ

is a solution for mobile broadband (3G) coverage. The name reflects the shape of the solution with just one radio connected to three antennas.

RAN

Radio Access Network.

SDN

Software-Defined Network.

WCDMA

Wideband Code Division Multiple Access. A 3G mobile communication standard. WCDMA builds on the same core network infrastructure as GSM.

xDSL

Digital Subscriber Line technologies for broadband multimedia communications in fixed-line networks. Examples: IP-DSL, ADSL and VDSL.

The terms "Ericsson," "the Company," "the Group," "us," "we," and "our" all refer to Telefonaktiebolaget LM Ericsson and its subsidiaries.

FINANCIAL TERMINOLOGY

Capital employed

Total assets less non-interest-bearing provisions and liabilities. (which includes: non-current provisions; deferred tax liabilities; other non-current liabilities; current provisions; trade payables; other current liabilities).

Capital turnover

Net sales divided by average capital employed.

Cash conversion

Cash flow from operating activities divided by the sum of net income and adjustments to reconcile net income to cash, expressed as percent.

Cash dividends per share

Dividends paid divided by average number of basic shares.

Compound annual growth rate (CAGR)

The year-over-year growth rate over a specified period of time.

Days sales outstanding (DSO)

Trade receivables balance at quarter end divided by net sales in the quarter and multiplied by 90 days. If the amount of trade receivables is larger than last quarter's sales, the excess amount is divided by net sales in the previous quarter and multiplied by 90 days, and total DSO are the 90 days of the most current quarter plus the additional days from the previous quarter.

Earnings per share (EPS)

Basic earnings per share: profit or loss attributable to stockholders of the Parent Company divided by

the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share: the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

EPS (non-IFRS)

EPS, diluted, excluding amortizations and write-down of acquired intangible assets and including restructuring charges.

EBITA margin

Earnings before interest, taxes, amortization and write-downs of acquired intangibles (intellectual property rights, trademarks and other intangible assets; see Note C10 "Intangible assets") as a percentage of net sales.

Equity ratio

Equity, expressed as a percentage of total assets.

Gross cash

Cash and cash equivalents plus short-term investments.

Inventory turnover days (ITO days)

365 divided by inventory turnover, calculated as total cost of sales divided by the average inventories for the year (net of advances from customers).

Net cash

Cash and cash equivalents plus short-term investments less interest-bearing liabilities (which include: non-current borrowings and current borrowings) and post-employment benefits.

P/E ratio

The P/E ratio is calculated as the price of a Class B share at last day of trading divided by Earnings per basic share.

Payable days

The average balance of trade payables at the beginning and at the end of the year divided by cost of sales for the year, and multiplied by 365 days.

Payment readiness

Cash and cash equivalents and short-term investments less short-term borrowings plus long-term unused credit commitments. Payment readiness is also shown as a percentage of net sales.

Return on capital employed

The total of Operating income plus Financial income as a percentage of average capital employed (based on the amounts at January 1 and December 31).

Return on equity

Net income attributable to stockholders of the Parent Company as a percentage of average Stockholders' equity (based on the amounts at January 1 and December 31).

Stockholders' equity per share

Stockholders' equity divided by the number of shares outstanding at end of period, basic.

Total Shareholder Return (TSR)

The increase or decrease in Class B share price during the period, adjusted for dividends paid, expressed as a percentage of the share price at the start of the period.

Trade receivables turnover

Net sales divided by average trade receivables.

Value at Risk (VaR)

A statistical method that expresses the maximum potential loss that can arise with a certain degree of probability during a certain period of time.

Working capital

Current assets less current non-interest-bearing provisions and liabilities (which include: current provisions; trade payables; other current liabilities).

EXCHANGE RATES

Exchange rates used in the consolidation

	January–December	
	2013	2012
SEK/EUR		
Average rate	8.67	8.70
Closing rate	8.90	8.58
SEK/USD		
Average rate	6.52	6.73
Closing rate	6.46	6.51

SHAREHOLDER INFORMATION



FOR PRINTED PUBLICATIONS

A printed copy of the Annual Report is provided on request.

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Ordering a hard copy of the Annual Report:

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Telefonaktiebolaget LM Ericsson's shareholders are invited to participate in the Annual General Meeting to be held on Friday, April 11, 2014, at 3 p.m. at Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, Stockholm, Sweden.

Registration and notice of attendance

Shareholders who wish to attend the Annual General Meeting must:

- > Be recorded in the share register kept by Euroclear Sweden AB (the Swedish Securities Registry) on Saturday, April 5, 2014; and
- > Give notice of attendance to the Company at the latest on Monday April 7, 2014. Notice of attendance can be given by telephone: +46 8 402 90 54 on weekdays between 10a.m. and 4p.m., or on Ericsson's website: www.ericsson.com.

Notice of attendance may also be given in writing to:

Telefonaktiebolaget LM Ericsson
General Meeting of Shareholders
Box 7835, SE-103 98 Stockholm, Sweden
When giving notice of attendance, please state name, date of birth or registration number, address, telephone number and number of assistants, if any.

The meeting will be conducted in Swedish and simultaneously interpreted into English.

Shares registered in the name of a nominee

In addition to giving notice of attendance, shareholders having their shares registered in the name of a nominee, must request the nominee to temporarily enter the shareholder into the share register as per Saturday, April 5, 2014, in order to be entitled to attend the meeting. Since the record day for attending the meeting is a Saturday, the shareholder should inform the nominee to that effect well before Friday, April 4.

WHERE YOU CAN FIND OUT MORE

Information about Ericsson and its development is available on our website:
www.ericsson.com.

Annual and interim reports and other relevant shareholder information can be found at:
www.ericsson.com/investors

Ericsson headquarters

Torshamnsgatan 21
Kista, Stockholm, Sweden

Registered office

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SE-164 83 Stockholm, Sweden

Investor relations

For questions on the Company, please contact Investor Relations:
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Email: investor.relations@ericsson.com.

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