

**ITEM 10C: MATERIAL CONTRACTS**

Effective October 1, 2001, we formed Sony Ericsson Mobile Communications AB as a 50/50 joint venture with Sony Corporation. Ericsson and Sony each contributed SEK 2.8 billion in cash to the capital of the joint venture. Pursuant to two Master Purchase Agreements, one relating to the transfer of the Ericsson handset business and one relating to the transfer of the Sony handset business, and related agreements, both partners sold substantially all of their respective handset businesses to the joint venture. We retained ownership of our intellectual property rights for mobile phone platform technology, which is licensed to the joint venture and other handset manufacturers.

**ITEM 10D: EXCHANGE CONTROLS**

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

The defense industry is subject to licensing requirements in Sweden. The licenses granted by the governmental authorities in Sweden in relation to the defense industry provide that the production of defense equipment may be carried on as long as Swedish legal entities or persons hold the ultimate control of the parent company. In this context, control relates to the holding of the majority of the voting power of the outstanding shares. Such control of the parent company is now held by Swedish legal entities and persons and the Company must report any change, which could result in a change from Swedish control to foreign control. Further, the president of the Company and at least 50 percent of the members of the board of directors and their deputies must be Swedish citizens domiciled in Sweden. In case of non-compliance with the requirements under a license, the governmental authorities may reconsider the license or its terms.

**ITEM 10E: TAXATION**

**General**

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

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

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

**Certain Swedish Tax Considerations**

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

**Taxation on Capital Gains**

Generally, non-residents of Sweden are not liable for Swedish capital gains taxation with respect to the sale of ADSs, B shares or convertible debentures. However, under Swedish tax law, capital gains from the sale of Swedish B shares and certain other securities by private individuals may be taxed in Sweden at a rate of 30 percent if they have been residents of Sweden or have lived permanently in Sweden at any time during the year of the sale or the 10 calendar years preceding the year of the sale (absent treaty provisions to the contrary). The provision is applicable on ADSs, B shares and convertible debentures.

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

**Taxation on Dividends**

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

Under all Swedish tax treaties, except the tax treaty with Switzerland, withholding tax at the applicable treaty rate should be withheld by the payer of the dividends. With regard to dividends paid from shares in corporations registered with

## [Table of Contents](#)

the VPC (such as our shares), a reduced rate of dividend withholding tax under a tax treaty is generally applied at the source by the VPC or, if the shares are registered with a nominee, the nominee, as long as the person entitled to the dividend is registered as a non-resident and sufficient information regarding the tax residency of the beneficial owner is available to the VPC or the nominee.

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

### **Taxation on Interest**

No Swedish withholding tax is payable on interest paid to nonresidents of Sweden.

### **Net Wealth Taxation**

The ADSs, B shares and convertible debentures are not subject to Swedish net wealth taxation in the hands of a holder that is not resident in Sweden for tax purposes.

You should consult your own tax advisors regarding the Swedish and other tax consequences of your ownership of ADSs, B shares and convertible debentures.

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

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

The discussion below applies to you only if you are a beneficial owner of ADSs and/or B shares and/or convertible debentures not resident in Sweden for purposes of the U.S. Tax Treaty and you are, for United States federal income tax purposes, (1) a citizen or resident of the United States, (2) a corporation or any other entity treated as a corporation that is organized in or under the laws of the United States or its political subdivisions, (3) a trust if all of the trust's substantial decisions are subject to the control of one or more United States persons and the primary supervision of the trust is subject to a United States court or if a valid election is in effect with respect to the trust to be taxed as a United States person, or (4) an estate the income of which is subject to United States federal income taxation regardless of its source.

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

### **Taxation of ADSs or B shares**

#### ***Dividends***

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

Subject to certain limitations, you will generally be entitled to receive credit against your United States federal income tax liability (or a deduction against your United States federal

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

#### ***Sale or Exchange of ADSs or B shares***

Subject to the passive foreign investment company rules discussed below, you generally will recognize capital gain or loss on the sale or other disposition of the ADSs or B shares equal to the difference between the USD value of the amount realized and your adjusted tax basis (determined in USD) in the ADSs or B shares. Such gain or loss will be capital gain or loss and will generally be treated as arising from U.S. sources for foreign tax credit limitation purposes.

The amount realized on a disposition of ADSs or B shares generally will be the amount of cash you receive for the ADSs or B shares (which, in the case of payment in a non-U.S. currency, will equal the USD value of the payment received determined on (a) the date of receipt of payment if you are a cash basis taxpayer and (b) the date of disposition if you are an accrual basis taxpayer). If the ADSs or B shares are treated as traded on an "established securities market," if you are a cash basis taxpayer (or, if you are an accrual basis taxpayer, if you so elect) you will determine the USD value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

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

#### **Taxation of convertible debentures**

##### ***Interest Payments***

In general, the gross amount of interest paid on convertible debentures will be included in your gross income as ordinary income from foreign sources. If you use the cash method of accounting for United States federal income tax purposes and receive a payment of interest in SEK, you will be required to include in income the USD value of the SEK (determined on the date such payment is received) regardless of whether the payment is in fact converted to USD at that time, and such USD value will be the U.S. Holder's tax basis in such SEK.

If you use the accrual method of accounting for United States federal income tax purposes, or are otherwise required to accrue interest prior to receipt, you will be required to include in income the USD value of the amount of interest income (including market discount and reduced by amortizable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a debenture during an accrual period. The USD value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. You may elect, however, to translate such accrued interest income using the rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the rate of exchange on the last day of the taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, you may translate such interest using the rate of exchange on the date of receipt. The above election will apply to other obligations held by you and may not be changed without the consent of the U.S. Internal Revenue Service (the "IRS"). You will recognize exchange gain or loss (which will be treated as ordinary income or loss) with respect to accrued interest income on the date such income is received. The amount of ordinary income or loss recognized will equal the difference, if any, between the USD value of SEK received (determined on the date such payment is received) in respect of such accrual period and the USD value of interest income that has accrued during such accrual period (as determined above).

##### ***Amortizable Bond Premium***

Generally, if you purchase a debenture for an amount that is in excess of the sum of all amounts payable on the debenture after its acquisition date (other than payments of stated interest), you will be considered to have purchased the debenture with amortizable bond premium. You may elect to amortize such premium (or if it results in a smaller amortizable bond premium attributable to the period of earlier call date, with reference to the amount payable on earlier call date) using a constant yield method over the remaining term of the debenture and may offset interest income otherwise required to be included in respect of the debenture with respect to an accrual period by the bond premium allocable to the accrual period. If the bond premium allocable to the accrual period exceeds the interest allocable to the accrual period, you may deduct such excess amount to the extent of the amount by which your total interest inclusions on the debenture in prior accrual periods exceed the total amount treat by you as a bond premium deduction on the debenture in prior accrual periods. Any remainder would generally be carried over to subsequent periods. Any election to amortize bond premium with respect to any debenture (or other general debt obligations) applies to all taxable debt obligations held by you at the beginning of the first taxable year to which the election applies and to all debt obligations thereafter acquired in all subsequent tax years and may not be revoked without the consent of the IRS.

### **Market Discount**

A debenture will be treated as purchased at a market discount if the amount for which you purchased the debenture is less than the debenture's stated redemption price at maturity, subject to a certain "de minimis" rule.

Any gain recognized on the maturity or disposition of a debenture purchased at market discount will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on such debenture. Alternatively, you may elect to include market discount in income currently over the life of the debenture. Such election shall apply to all debt instruments with market discount acquired by you on or after the first day of the first year to which the election applies and may not be revoked without the consent of the IRS.

### **Purchase, Sale, Exchange and Retirement**

If you purchase a debenture with previously owned SEK, you will recognize ordinary income or loss in an amount equal to the difference, if any, between your tax basis in the SEK and the USD fair market value of the SEK used to purchase the debenture, determined on the date of purchase.

Generally, upon the sale, exchange or retirement of a debenture, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and your adjusted tax basis in the debenture. Subject to the foreign currency rules and the passive foreign investment company rules discussed below, such gain or loss generally will be capital gain or loss (except to the extent of any accrued market discount not previously included in your income) and will be long-term capital gain or loss if at the time of sale, exchange or retirement the debenture has been held by you for more than one year. To the extent the amount realized represents accrued but unpaid interest, however, such amounts must be taken into account as interest income. If you receive SEK on such a sale, exchange or retirement, the amount realized will be based on the USD value of the SEK on the date the payment is received or the debenture is disposed of (or deemed disposed of). Your adjusted tax basis in a debenture will equal the cost of such debenture, increased by the amounts of any market discount previously included in income by you with respect to such debenture and reduced by any amortized acquisition or other premium and any principal payments received by you (in each case generally determined based on the USD value of SEK on the date of such purchase or adjustment).

Gain or loss realized upon the sale, exchange or retirement of a debenture that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates relating to the principal amount will equal the difference between the USD value of the SEK principal amount of the debenture, determined on the date such payment is received or such debenture is disposed of, and the USD value of the SEK principal amount, determined on the date you acquired such debenture. Such foreign currency gain or loss will be recognized only to the extent of the total gain or loss realized by you on the sale, exchange or retirement of the debenture.

### **Conversion**

The conversion of convertible debentures will not be a taxable transaction for United States federal income tax purposes except to the extent of any cash or other consideration received for fractional shares or accrued interest. Upon conversion, your basis in B shares or ADSs received will equal the basis of the convertible debentures allocable to the B shares or ADSs received and the holding period of B shares or ADSs received will include the holding period of the convertible debentures.

Under certain circumstances, adjustment in the conversion ratio or the lack thereof may cause a deemed distribution to you. You should consult your own tax advisors regarding any such deemed distribution.

### **Passive Foreign Investment Company Status**

A non-U.S. corporation is a passive foreign investment company (a "PFIC") in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (a) at least 75 percent of its gross income is passive income or (b) at least 50 percent of the quarterly average value of its assets is attributable to assets that produce or are held to produce passive income. Based on the market value of our shares, the composition of our assets and income and our operations, we believe we were not a PFIC during the year 2002. However, whether or not we will be considered a PFIC will depend on the nature and source of our income and the value of our assets, as determined from time to time. If we are treated as a PFIC, we will not provide information necessary for the "qualified electing fund" election as the term is defined in the relative provisions of the Code. You should consult your own tax advisors about the consequences of our classification as a PFIC.

If we were a PFIC, for any taxable year in which you held ADSs or B shares, you would be subject to special rules with respect to:

- any gain realized on the sale or other disposition of ADSs or B shares; and
- any "excess distribution" made to you (generally, any distributions to you in respect of ADSs or B shares during a single taxable year that are greater than 125 percent of the average annual distributions received by you in respect of ADSs or B shares during the three preceding taxable years or, if shorter, your holding period for ADSs or B shares). Under these rules:
  - the gain or excess distribution would be allocated ratably over your holding period for ADSs or B shares;
  - the amount allocated to the taxable year in which the gain or excess distribution was realized and any year before we became a PFIC would be taxable as ordinary income;
  - the amount allocated to each prior year, other than the current year and any taxable year prior to the first taxable